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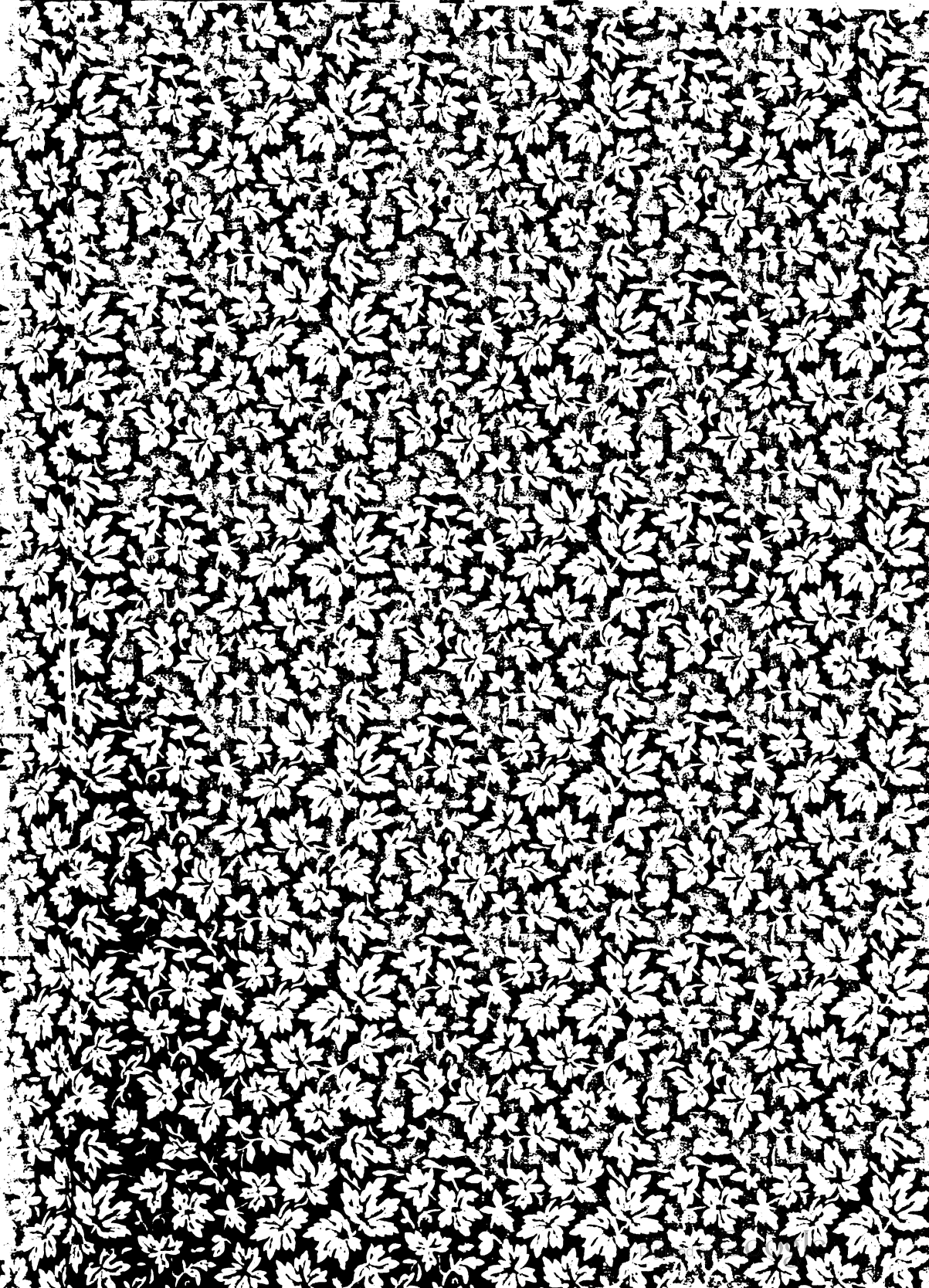


FROM  
THE BUSINESS  
HISTORICAL  
SOCIETY, INC.



IN MEMORY OF  
CHARLES A. MOORE  
FOUNDER AND FIRST PRESIDENT OF MANNING,  
MAXWELL & MOORE, INC.

GIFT OF  
MARY CAMPBELL MOORE  
CHARLES A. MOORE, JR.  
EUGENE M. MOORE











# SUCCESS IN BUSINESS

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VOLUME II

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BANKING, TRANSPORTATION,  
INSURANCE AND FOREIGN TRADE

BY

SEYMOUR EATON

Founder and President of the Booklovers' Library; formerly Director of the Department of Industry and Finance, Drexel Institute, Philadelphia; author of  
"The New Arithmetic," "One Hundred Lessons in Business,"  
"Business Forms, Customs and Accounts," etc.



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GIFT OF  
G. A. MOORE

## PREFACE.

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The field of business will never be wholly occupied. It will always offer large privilege and rich reward to the right kind of ability. It demands to-day the best brain power of the world. It is commonly stated, and with some truth, that more ability is needed for the position of president of a great railway than for the position of president of a great nation. The same is true of other great commercial concerns. No other field of action offers to-day larger inducements or greater responsibilities; no other field draws more largely upon the ranks of able and ambitious young men. Modern business has grown so complex and its requirements are so exacting, that a knowledge of its laws, customs and tendencies is necessary, not only to success, but to a comfortable existence. The American people are pre-eminently a business people. The world is both our harvest field and our market. Under these conditions no excuse need be offered for the publication of a business handbook. Its purpose is self-evident.

SEYMOUR EATON.



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## Banking, Collections, and Negotiable Paper.

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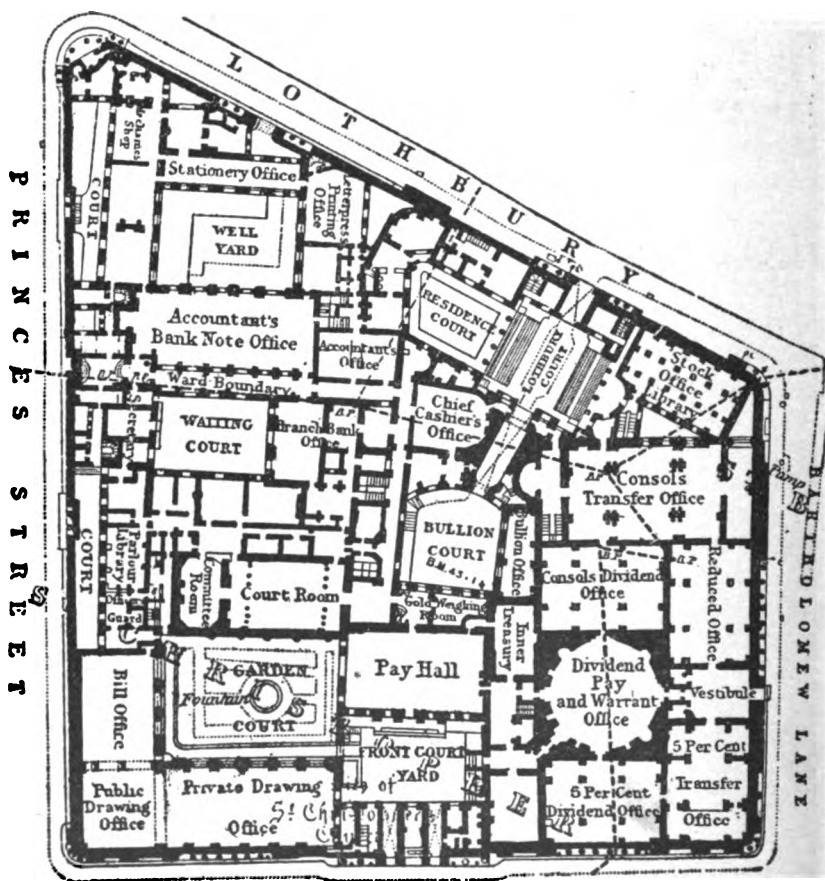
### Ancient Banking.

The antiquity of banks is very great. In the Metropolitan Museum of Art, in New York, are Babylonian tablets bearing distinct records of transactions in banking that took place in the reign of Nebuchadnezzar. The origin of modern banking may be traced to the money dealers of Florence, who were in high repute as receivers and lenders of money in the fourteenth century. The name *bank* is derived from the Italian *banco*, a bench, the Jews in Lombardy having benches in the market place for the exchange of money. When a banker failed his bench was broken by the populace, and from this circumstance we have our word *bankrupt*. The business of borrowing and lending money was undertaken first by goldsmiths, although the two had no direct connection. In the process of the separation of employments, which is characteristic of an advancing society, banking became a business of its own.

### The Bank of England.

The Bank of England was the fourth important national bank founded in Europe. The Bank of Venice was the first in date. The Bank of England is more than two hundred years old, and is to-day acknowledged to be the greatest financial institution in the world. It had a capital at commencing of six millions. The building covers a whole block bounded on the south by the famous

Threadneedle Street. Outside it presents the appearance of a blind outer wall of a great building without windows, and having here and there ornamental pillars and a few entrances. The plan, as shown in our illustration, is a complex system of light-walls,



PLAN OF THE BANK OF ENGLAND.

offices, court yards, etc., the result of growth and necessity. Among the curiosities in the bank library is a million pound bank note. Tradition says, that there have been only four such notes issued. Samuel Rogers, the poet, had one framed and hung over his parlor mantelpiece. Among other curiosities in the bank

library is a note for £25, which had slumbered unobserved for 111 years, and was then presented and paid. If compound interest had been payable by the bank, the owner could have claimed over £60,000. About 50,000 notes of different values are paid into the bank every day. These are kept five years in the bank cellars and are then destroyed by burning. New notes are always given out in payment of bills and checks. The first bank founded in America was the Bank of North America, in Philadelphia, which was established in 1782.

#### **The Value to Business Men of Banks.**

Banks are absolutely necessary to the success of modern commercial enterprises. They provide a place for the safe-keeping of money and securities, and they make the payment of bills much more convenient than if currency instead of checks were the more largely used. But the great advantage of a banking institution to a business man is the opportunity it affords him of borrowing money, of securing the cash for the carrying on of his business, while his own capital is locked up in merchandise or in the hands of his debtors. Another and important advantage is to be found in the facilities afforded by banks for the collection of checks, notes, and drafts.

#### **Currency.**

The legal medium of exchange of a country is called its currency, that which passes current, or circulates as money, such as coin and bills. *Bullion* is uncoined gold or silver. More than ninety per cent. of the *cash* circulation of the country is represented by checks, etc., and not by actual money.

#### **Opening a Bank Account.**

When you enter a bank to open an account, inquire for the cashier, and, if convenient, take with you some one who can introduce you and identify you as the person you profess to be. If you go alone, do not feel hurt if a number of questions are asked you. While you may be perfectly honest, a large number of people make their living by being sharp, and, besides, it is necessary to establish those confidential relations which ought to exist in all financial transactions, so that the cashier may know something more about you than he could ascertain by merely looking at you,

and taking your name on a book. The cashier will have you place your signature in a book. Your name as written in this book should be the same in style as you intend to place on your checks. If necessary, the cashier or some officer of the bank, will show you how to make out a deposit slip. He will give you also a small bank book, in which you will be credited with the amount of money which you deposit. Each time you deposit money you will be required to make out a deposit slip. The banks furnish the printed blanks free. Under the word *checks* on the blank you write the names of the banks upon which the checks, if any, which you are depositing, are drawn. If a check is on a distant city, the name of the city should be given. Your bank book is in reality your only receipt from the bank for the money you deposit. When you deposit money hand it to the receiving teller, and when

you wish to draw money present your check to the paying teller. When you wish to have your bank book balanced hand it to the receiving teller. This is usually done on the first of each month. The paid or cancelled checks are returned to you in a day or two when you get your bank book back. These should all be filed in an orderly way. They serve as vouchers and may be useful in legal complications.

DEPOSITED IN		
The Union Trust Company,		
715, 717 & 719 Chestnut St., Philadelphia.		
By <u>Penny Wise &amp; Co</u>		
<u>Mar 12 1895</u>		
	DOLLARS	CTS.
Bank Notes, . . . . .	240	-
Small Notes, 1's and 2's,	37	-
Coin, . . . . .	5	-
Check, (ENTER FULLY)		
If in the city, name of bank: If out of the city, name of place where payable.		
<u>Penn. Nat.</u>	42	80
<u>West Chester</u>	33	27
<u>Chemical, N.Y.</u>	3	42
<u>Acc. Ex. Order</u>	5	33
<u>P.O. Money Order</u>	10	-
Total, . . . . .	<u>\$376</u>	<u>82</u>

**The Officers of a Bank.**

The directors of a bank meet regularly to consider the character of the paper offered for discount, and to consult regarding the general business of the bank. Sometimes the directors give the president or cashier authority to pass upon paper offered for discount. The ordinary officers of a bank are the president, who is the chief executive officer ; the cashier, who is the manager of the internal workings of the bank ; the paying teller, who pays out all moneys and has charge of the working cash of the bank ; he is familiar with the signature of each depositor and with his daily balance, and is really one of the most important officers of the bank. The paying teller should be a man of good ability, a man who can read motives from appearances, a man of quick and accurate judgment, and withal, a man of patience and unwavering good nature. The receiving teller receives all moneys coming into the bank, and makes the entries in the depositors' pass books. The note clerk has charge of the commercial paper handled. The book-keeper and his assistants have charge of the ledgers and other account books.

**Suggestions to Bank Clerks.**

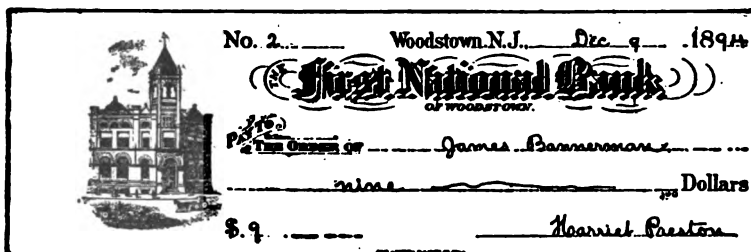
Ability, enthusiasm, tact and determination are as necessary in banking as in any other commercial situations. Many of the most successful bankers in the country commenced as messengers and passed from one office to another until they became presidents. It should be the constant endeavor of officers of a bank who hold superior positions to cultivate and develop the self-respect of their subordinates. Faithful service and manly character in a janitor are entitled to just as much honor and to as full recognition as that rendered by a cashier. The man makes the place, not the place the man. It is the general opinion of bankers that the demand for the right sort of bank-clerk is much in excess of the supply. No young man should think of entering upon banking as a profession who has not a real love for the business. The best position for a young man, and the one affording the largest opportunity for promotion will be that of general assistant. It is considered better to enter upon a clerkship in a small bank than in a very large one, for the reason that the steps in the ladder of success are fewer and closer. The successful clerk must have a



true appreciation of the value of time. Every minute should be strictly given to the work of the bank. In the matter of promptness the higher officers should set a good example for those in subordinate positions. There are exceptions, but as a rule, promotions are not the result of chance. The man in any calling who has the ability and the desire to do greater things will sooner or later be called upon to do them.

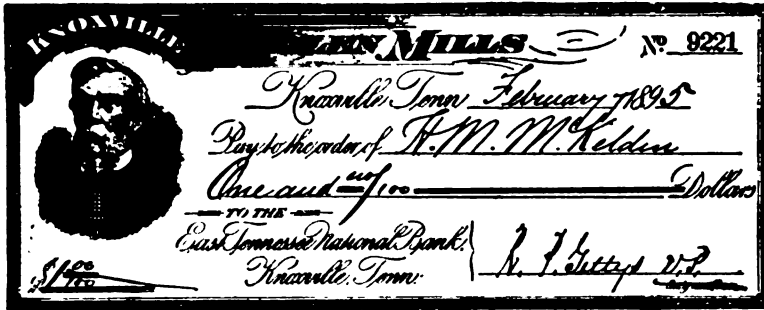
### Bank Checks.

A check is an order for money, drawn by one who has funds in the bank, payable on demand. It is in reality a sight draft on the bank. Banks provide blank checks for their customers, and it is a very simple matter to fill them out properly. In writing in the amount begin at the extreme left of the line. The illustration given here shows a poorly written check and one which could be



very easily raised. A fraudulent receiver could, for instance, write "seventy" before the *nine* and "7" before the figure "9," and in this way raise the check from \$9 to \$79. If this were done and the check cashed, the maker, and not the bank would become responsible for the loss. You cannot hold the bank responsible for your carelessness. A check was raised from \$100 to \$190 by the writing "*and ninety*" after the words "one hundred." One of the ciphers in the figures was easily changed to a "9" by adding a tail to it. It is wise to draw a running line~~~~~ after the amount in words, thus preventing any additional writing. Checks should be dated, but the absence of a date does not warrant a bank in refusing to cash the check. Notes made and executed on Sunday are invalid, but a check so dated is good. The signature should be in your usual style familiar to the paying teller. A check is a draft or order on a bank, and

need not necessarily be written in the prescribed form. Such an order written on a sheet of note-paper with a lead pencil might be in every way a legally good check. If it is necessary, any time, to write a check for a fractional part of a dollar, as 75 cts., write "*Seventy Five Cents*," and draw your pen through the printed word *Dollars*. There hangs in the office of the Pacific Mills,



Boston, the cancelled check of the United States for *one cent*; and on the walls of the Bank of Commerce, New York City, hangs a handsomely framed check for \$14,000,000, signed by the well-known banking house of Kidder, Peabody & Co. Usually checks should be drawn "to order." The words, "Pay to the order of John Brown" mean that the money is to be paid to John Brown or to any person he *orders* it paid to. If a check is drawn "Pay to Bearer," any person, that is the bearer, can collect it. The paying teller may ask the person cashing the check to write his name on the back simply to have it for reference. In writing and signing checks use good black ink and let the copy dry a little before a blotter is used. Safety devices to prevent the fraudulent alteration of checks are of almost endless variety, but there has not been a preventive against forgery and alterations yet invented which has not been successfully overcome by swindlers. A machine for punching out the figures is in common use, but the swindler has successfully filled in the holes with paper pulp and punched other figures to suit his purposes. The method adopted by the express companies and by the post office department in its new money order is perhaps the best plan yet offered to prevent the raising of the amount of a check or order. We give here a photo-engraved copy of a Wells, Fargo Express order to illustrate this point.

Notice the printing on the left end. To raise such an order it would be necessary to add to the length of the paper, which of course would be impossible. The most experienced bankers favor a plain black and white check, drawn upon clear white paper with good strong black ink. There are often presented to banks for payment, checks in which the figures in the margin do not correspond with the amounts stated in writing in the body of the checks. The law



governing cases of this sort provides distinctly that the amount in writing shall be considered correct. If the amount of money involved were large, the paying teller would be justified in withholding payment until he satisfied himself that the amount in writing was what the maker really intended the check to call for.

#### **Identification.**

The banks of this country make it a rule not to cash a check that is drawn payable to order, unless the person presenting the check is known at the bank—or unless he satisfies the paying teller that he is really the person to whom the money is to be paid. It must be remembered, however, that a check drawn to order and then endorsed in blank by the payee is really payable to bearer, and if the paying teller is satisfied that the payee's signature is genuine he will not likely hesitate to cash the check. In England, all checks apparently properly endorsed are paid without identification. In drawing a check in favor of a person not likely to be well-known in banking circles, write his address or his business after his name on the face of the check. For instance, if you

should send a check to John Smith, Boston, it may possibly fall into the hands of the wrong John Smith; but if you write the check in favor of "John Smith, 849 Tremont St., Boston," it is more than likely that the right person will collect it. If you wish to get a check cashed where you are unknown, and it is not convenient for a friend who has an account at the bank to go with you for the purpose of identification, ask him to place his signature on the back of your check, and you will not likely have trouble in getting it cashed. By placing his signature on the back of the check he guarantees the bank against loss. A bank is responsible for the signatures of its depositors, but it cannot be supposed to know the signatures of endorsers. The reliable identifier is in reality the person who is responsible.

#### **A Banker's Hints.**

Do not draw a check unless you have the money on deposit or in your possession to deposit. Do not test the generosity of your bank by presenting, or allowing to be presented, your check for a larger sum than your balance. Do not draw a check and send it to a person out of the city expecting to make good the amount before it gets back. Do not give your check to a friend with the condition that he is not to use it until a certain time. Do not send ignorant and stupid messengers to the bank to transact your business.

#### **Check Endorsements.**

In endorsing checks note the following points: 1. Write across the back—not lengthwise. 2. If your endorsement is the first, write it an inch or two from the top of the back; if it is not the first endorsement write immediately under the last endorsement. 3. Don't endorse wrong end up; the top of the back is the left end of the face. 4. Write your name as you are accustomed to write it, no matter how it is written on the face. 5. If you are depositing the check write or stamp "For Deposit" over your signature. This is hardly necessary if you are taking the check yourself to the bank. A check with a simple or blank endorsement on the back is payable to bearer, and if lost, the finder might succeed in collecting it, but if the words "For deposit" appear over the name, the bank officials understand that the check is

intended to be deposited, and they will not cash it. 6. If you wish to make the check payable to some particular person by endorsing, write "Pay to ..... (NAME) ..... or order," and under this write your own name as you are accustomed to sign it. 7. Do

Pay to the order of  
Thomas Brown  
Harold Watson  
Thomas Brown

FOR DEPOSIT TO THE  
CREDIT OF  
Brown & Co.

not carry around endorsed checks loosely. Such checks are payable to bearer, and may be collected by any one. 8. If you receive a check which has been transferred to you by a blank endorsement, and you wish to hold it a day or two, write over the endorsement the words "Pay to the order of ..... (YOURSELF) .....," This is allowable legally. The check cannot then be collected until you endorse it. 9. An authorized stamped endorsement is as good as a written one. Whether such endorsements are accepted or not depends upon the regulations of the

clearing house in the particular city in which they are offered for deposit. In New York City the use of stamped endorsements is universal. The written endorsement is safer for transmission of out-of-town collections. 10. If you are endorsing for a company, or society, or corporation, write first the name of the company and then your own name followed by the word "Treas." 11. If you have power-of-attorney to endorse for some particular person, write his name followed by your own, followed by the word "Attorney" or "Atty" as it is usually written. 12. Where checks are sent out by the receiving (deposit) bank to all parts of the country for collection, it is customary for the bank to stamp upon the back of the check the words "ENDORSEMENT GUARANTEED." Sometimes a check reaches a bank through responsible parties, who are not its payees, without bearing the payee's endorsement. The bank may decide to pay without demanding the absent endorsement, since such a demand would cause considerable delay and trouble, if the presenter or the presentee of the check guarantees the absence of the

endorsement. This he does by writing "*Absence of endorsement guaranteed*," with his signature, on the back of the check. Of course, this is practically a guarantee against loss and trouble to the banker, which might result from the absence of the endorsement. The banks of some cities will not accept such guarantee. It is sometimes permissible to endorse the payee's name "by ..... (YOUR OWN NAME.) .." This may be done by a junior member of a concern when the person authorized to endorse checks is absent, and the checks are deposited and not cashed. If a check lacks the endorsement of the original payee, it may be wise, if convenient to do so, to get it certified before sending it back for such endorsement. 13. Write your check payable to the order of some person, but don't write "Pay to the order of *Chas. Hood & Co., for subscription to Ledger for 1897.*" Such information on a paid check may serve some purpose of yours, but it is not good business. Descriptive and qualifying matter is quite proper in the letter accompanying the check, and if the letter has been copied, it is just as legally valuable. 14. Do not write any unnecessary information on the back of your check. A story is told of a woman who received a check from her husband, and when cashing it, wrote "Your loving wife" above her name on the back.

#### **Cashing your own Check.**

If you wish to draw money from your own account, the most approved form of check is written "Pay to the order of *Cash.*" This differs from a check drawn to "*Bearer.*" The paying teller expects to see you yourself or some one well-known to him as your representative, when you write "*Cash.*" If you write "Pay to the order of ..... (YOUR OWN NAME.) ..," you will be required to endorse your own check before you can get it cashed.

#### **Checks for Special Purposes.**

If you wish to draw a check to pay a note, write "Pay to the order of *Bills Payable.*" If you wish to write a check to draw money for wages, write "Pay to the order of *Pay Roll.*" If you wish to write a check to pay for a draft which you are buying, write "Pay to the order of *N. Y. Draft and Exchange,*" or whatever the circumstances may call for.



**"No Funds."**

If you have deposited a check and it is returned through your bank marked "No Funds," it signifies that the check is worthless and that the person upon whose account it was drawn has no funds to meet it. Your bank will charge the amount to your account. The best thing to do in such a case is to hold the *protested* check as evidence of the debt and write the person who sent it to you giving particulars and asking for an explanation. There is no advantage in having the check protested unless it has an endorser other than yourself. One of the bankers' journals gives an instance of a man who had a check

35

**FIRST NATIONAL BANK**  
OF MAQUOKETA, IOWA

\$11\$

Maquoketa, Iowa April 7<sup>th</sup> 1893

Pay to the order of W. H. Duggell

April 30<sup>th</sup> Dollars

W. H. Duggell Cashier

To AMERICAN EXCHANGE NAT'L BANK,  
NEW YORK.

57653

for \$900, which he took to get cashed. He learned that the drawer had only \$700 on deposit, and knowing that he (the drawer) was embarrassed financially, the man deposited to the drawer's credit \$200 of his own money, and then presented his \$900 check and had it cashed.

**Stopping Payment.**

If you wish to stop the payment of a check which you have issued you should notify the bank at once, giving full particulars of the check.

**Cancelling Checks.**

Banks have a custom, after paying and charging checks, of cancelling them by punching or by making some cut through their face. These cancelled checks are returned to the makers at the end of each month.

**Checks presented after Death.**

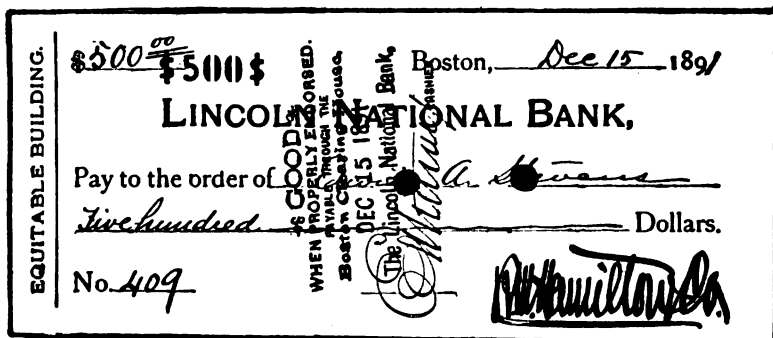
As a general rule banks are expected to stop the payment of a check, the signer of which has died before its presentation. This is not always possible for the reason that information as to the death of a customer may not reach the bank for days, so that in reality banks are every day paying checks of men who are dead. In Massachusetts, checks are good for ten days after the death of the signer.

**Checks should be Numbered.**

Checks should be numbered so that each can be accounted for. The numbers are for your convenience and not for the convenience of the bank. It is important that your check book be correctly kept, so that you can tell at any time how much money you have in the bank. At the end of each month your small bank book should be left at the bank so that the book-keeper may balance it. It may happen that your bank book will show a larger balance than your check book. You will understand by this, if both have been correctly kept, that there are checks outstanding which have not yet been presented at your bank for payment. You can find out which these are by checking over the paid checks that have been returned to you with your bank book. The unpaid checks may be presented at any time, so that your actual balance is that shown by your check book. Checks should be presented for payment as soon after date as possible.

**Certified Checks.**

If you wish to use your check to pay a note due at some other bank, or in buying real estate, or stocks, or bonds, you may find it necessary to get the check certified. This is done by an officer of the bank who writes or stamps across the face of the check the words "*Certified*" or "*Good when properly endorsed,*" and signs his name. See illustration. The amount will immediately be



deducted from your account, and the bank, by guaranteeing your check, becomes responsible for its payment. Banks will usually certify any check drawn upon them if the depositor has the amount called for to his credit, no matter who presents the check. If you should get a check certified and then not use it, deposit it in your bank, otherwise your account will be short the amount for which it is drawn. In Canada, all checks are presented to the "ledger keeper" for certification before being presented to the paying teller.

**Bank Drafts.**

Your bank check is really your sight draft on your bank. Of course it differs from an ordinary commercial draft, not only in its wording, but in its purpose. A check is used for paying money to a creditor, while a draft is used as a means of collecting money from a debtor. The bank is obliged to pay your check if it has funds of yours sufficient to meet it, while the person upon whom your draft is drawn may or may not honor it at his pleasure. Banks keep money on deposit in one or more other banks located in some of the commercial centres. Nearly all large banks keep

money on deposit with one or more of the New York City banks. They call these banks their New York *correspondents*. A bank draft is simply the bank's check, drawing on its deposit with some other bank. Banks sell these checks to their customers. Merchants make large use of these drafts, or cashier's checks as they are sometimes called, in making remittances from one part of the country to another. These drafts or checks pass as cash anywhere within a reasonable distance of the money centre upon which they are drawn. Banker's *drafts on New York* would, under ordinary financial conditions, be considered cash anywhere in the United States. A draft on a foreign bank is commonly called a *bill of exchange*. Bills of exchange are usually drawn in duplicate, one of which is forwarded and the other retained. They are so worded that when the



original is paid the duplicate becomes void. They are drawn in the currency of the country where they are made payable. These drafts are used to pay accounts in foreign countries just as drafts on New York are used to pay indebtedness at home.

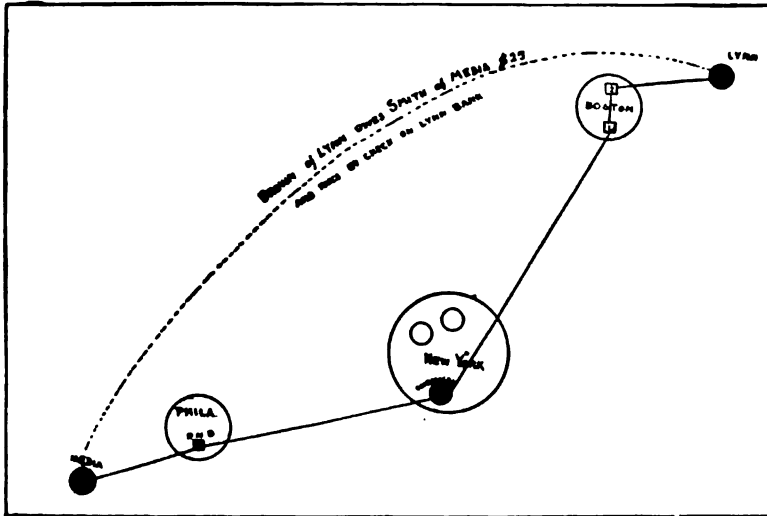
#### **The Clearing-House System.**

In large cities checks representing millions of dollars are deposited in the banks every day. The separate collection of these would be almost impossible, were it not for the clearing-house system. Each large city has its clearing-house. It is an establishment formed by the banks themselves, and for their own convenience. The leading banks of a city connect themselves with the clearing-house of that city, and through other banks with the clearing-houses of other cities, particularly New York. Country banks connect themselves with one or more clearing-houses through city banks which do their business for them. The New York banks, largely through private bankers, branches of foreign banking houses, connect themselves with London. So that each bank in the world is connected indirectly with every other bank in the world, and in London is the final clearing-house of the world. The clearings in New York in one day amount to from one to two hundred millions of dollars—twice as much as all the other cities in America put together. Usually once a week the banks of a city make to their clearing-house a report, based on daily balances, of their condition.

#### **Check Collections.**

Each bank in a city receives on deposit, daily, checks on other banks. Instead of sending these by messenger to the other banks they are sent to the clearing-house at a fixed hour each day—in some cities twice a day. The banks of a clearing-house city are numbered. These numbers are seen stamped upon checks which the bank handles in the process of collection. Bank A may for instance carry checks amounting to \$200,000 to the clearing-house for collection. Banks C, D, E and F may have checks on A amounting to \$189,240, which they send to the clearing-house for collection. This would show a balance of \$10,760 in A's favor, which is paid to bank A by the clearing-house in clearing-house certificates or due bills. If the balance were against A, the amount due would have to be made up within the hour limit fixed by the

clearing-house regulations. Suppose, for illustration, that Brown of Lynn owes Smith of Media \$25, and pays the amount by a check on a Lynn bank. This check will go by mail from Lynn to Media. Smith will deposit it in a Media bank. The Media bank will send it with other checks to its Philadelphia *correspondent*, say the



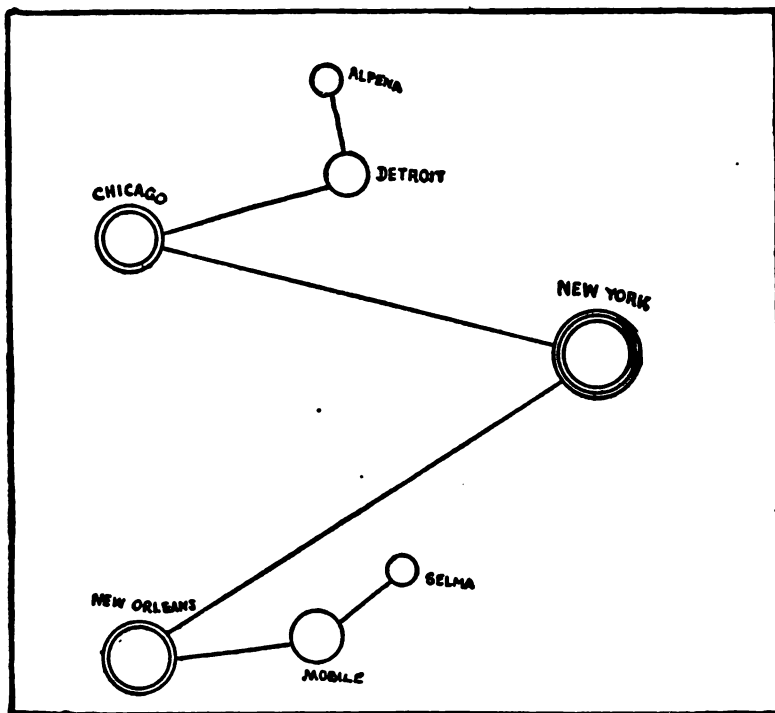
Penn National. The Penn National will send it with other checks to its New York *correspondent*, say the Chemical. The Chemical will forward it with other checks to its Boston *correspondent*, say the First National. Now the First National of Boston may not be the Boston *correspondent* of the Lynn bank. It therefore sends the check for collection through the Boston clearing-house to the bank which does the Boston business for the particular Lynn bank upon which the check is drawn, say the Second National. The Second National sends the check to Lynn, where it is charged up against Brown's account. This system of collections is almost as perfect as is the post office system of carrying registered mail.

#### The Wanderings of Checks.

Under old-fashioned methods, each bank was in the habit of selecting its collection agents, sending them by mail their collection paper, charging their customers very substantial collection rates, and passing the same to their credit when collected. Nowadays



the country trader, no matter where he is located, sends his check on a local bank to pay his account in a distant city, and the receiver of the check expects his bank to collect the amount of



the check free of expense, and to give him full credit for it the day it is deposited. Suppose for instance that a merchant of Selma, Ala., sends his check on a Selma bank by mail to pay a bill in Alpena, Mich. The Alpena merchant deposits it in his local bank, and this local bank sends it to its Detroit *correspondent*. That is, deposits it in the Detroit bank where its account is kept. The Detroit bank sends the check to its Chicago *correspondent*. The Chicago bank may have no connection with a Southern city. It sends the check to its New York *correspondent*. The New York bank forwards the check to New Orleans, where it may pass through the clearing-house to some other New Orleans bank which forwards it to its *correspondent* in Mobile. The Mobile


bank sends the check to Selma, and has it charged up to the account of the man who issued it. Now all these banks and clearing-houses through which the check passes, stamp their endorsement and other information on the back of the check. Our illustration shows a photo copy of the backs of two checks



which have "travelled." Millions of dollars are collected by banks daily in this way, and all without expense to their customers. It is estimated that these collections cost the New York city banks more than two million dollars a year in loss of interest while the checks are *en route*. Ten thousand collection letters are sent out every day by the banks of New York City alone

## Organization of Banks.

The National banks are organized under national laws, while state banks, savings banks, etc., are organized under the laws of the State in which they are located. Any person who has money and credit can start a private bank. Some of the largest banking institutions of the world are owned by private individuals, and are not subject to law any more than is any other kind of business concern. Trust companies are, in some particulars, similar to banks. They receive deposits and make loans, but they do not usually undertake the general collection of commercial paper. They act as trustees for corporations, as agents

No. 2403	<b>The New York National Bank of Cash</b>
	\$15
Pay to the order of	Yours. N.Y. June 3, 1900. 189
One and no/100	\$1.00
To	Dollar
ROYAL EXCHANGE BANK, NEW YORK CITY.	<i>Quon</i> Cashier

for the sale of stocks, as executors, administrators and guardians of money for courts. They make investments, collect interest and rents, and perform many other financial services.

### Kiting.

Don't exchange checks to get twenty-four hours' credit. This is often done. The banks call it kiting. If your bank finds that kiting is included in your business methods, do not be surprised if you are asked to withdraw your account. Banks cannot afford to lend you money even for twenty-four hours without interest or security. To illustrate, suppose it is 12 o'clock noon—after the bank-clearing at the clearing-house. A is short and needs \$500. He gives B his check for \$500 and takes B's check for \$500. B's check





may not be any better than A's, but A deposits it and has ample time before three o'clock to draw on the deposit and use some of the money. B may do the same with A's check. Other checks or cash are deposited in the morning before clearing-house hours so that the \$500 checks may be met when they come in for collection. A may accomplish the same end by having accounts in two banks and by depositing a check on the one in the other.

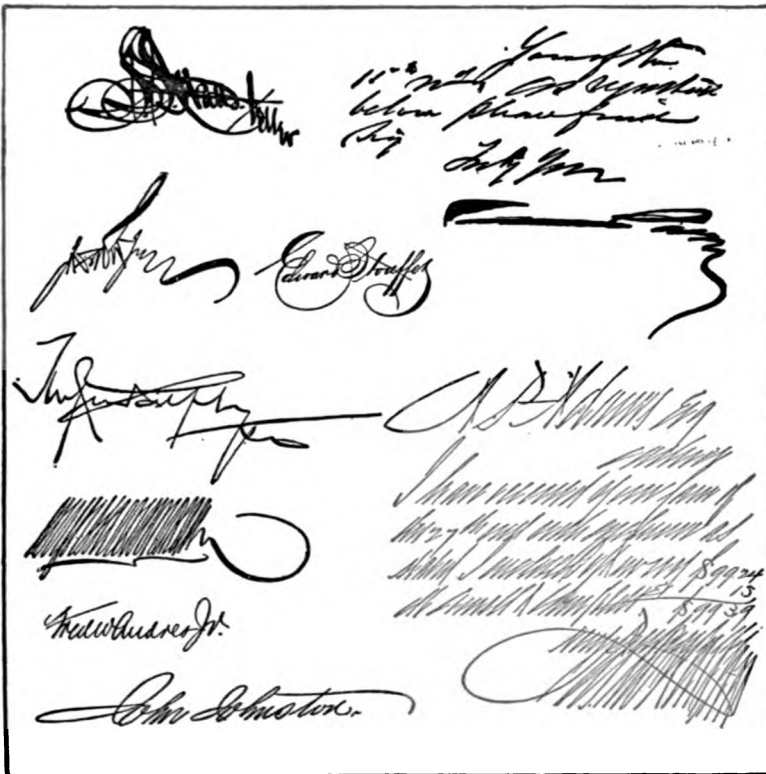
#### Forged Checks.

Who is liable when a forged check has been paid? This question is often asked, and the answer varies with circumstances. Ordinarily the bank must stand the loss,

but if the fraud is the result of carelessness on the part of the person whose name is forged, the bank is not liable. Business men should not only make use of the most approved methods of protecting their checks but they should take every possible precaution to prevent improper use of the blank forms by keeping them in places inaccessible to anyone but those of their own counting-rooms who are authorized to write up their checks.

#### Signatures.

In the course of business we often come across very queer specimens of writing and eccentricities in signatures. A New York Insurance Company's Vice-President has a signature, as it



appears on the policies issued by his company, which is fourteen inches one way and nine inches the other. In our illustration the

signature at the top on the left is that of F. S. Watte, teller of an Iowa bank. Immediately under this name is that of John Mohr, Jr., cashier of a bank in Indiana. Under Mohr's signature is that of Tom Randolph, president of a bank in Texas. Directly under Randolph's signature we find a cross-etching which represents the treasurer of a manufacturing company in Connecticut—Hugh Harbison. It ranks high as a curiosity in penmanship. The writing at the upper right-hand corner is that of Carmon Parse, cashier of a bank in New Jersey. The writing in the lower right-hand corner filled the entire page of a letter sheet. The name is that of Jas. V. D. Westfall. These specimens are interesting, but after all the best form of signature, and the one most difficult to forge, is that written in a plain business style, such as "John Johnston" in the illustration. Business men and bankers are as thoroughly familiar with the signatures of other business men as they are with their faces.

#### **The Bank's Cash.**

The actual usable cash of a bank is represented by the silver, gold and bills on deposit. It is estimated that the gold in use in the world amounts to \$7,000,000,000, and that an equal amount has been lost through wear and other causes since the earliest times. A million dollars in gold could be put into a box two feet square and a foot deep. All the gold in the world could be put into a room 64 feet by 50 feet with a height of 20 feet. It is estimated that a million dollars worth of gold is each year buried in the cemeteries of the United States in the mouths of the dead. The gold in our banks lies piled in bags containing \$5000 each. Each bag weighs twenty-two pounds. Standard gold is worth \$18.96 an ounce, and a \$20 gold piece weighs  $21\frac{1}{2}$  pennyweights. In shipping gold from New York to London it is estimated that a million dollars in gold will be reduced in value, by the coins rubbing against each other, about \$175. If a standard gold coin falls short one-half of one per cent. of its original standard weight, it is marked light weight the moment it reaches the United States Treasurer. It then ceases to travel as money. The United States bills which are considered cash are of a variety of kinds. There are in circulation over \$300,000,000 of treasury notes of the following denominations: \$1, \$2, \$5, \$10, \$20, \$50, \$100, \$500, \$1000. These are payable in *coin*, either gold or



silver. The national bank notes are really promissory notes, issued by the banks, and payable on demand. They are secured by, and issued upon, United States bonds. Every national bank must redeem its notes in full in lawful money at the treasury in Washington or over its own counter whenever a demand for payment is made. The denominations of the national bank notes are the same as those of the treasury notes, except that there are no bills smaller than \$5. The silver certificates are notes issued by the United States government and payable on demand in silver dollars. Some hundreds of millions of dollars of this form of money is now in circulation. Notwithstanding the fact that the paper used is of the very best quality, paper money, the world



over, is constantly becoming ragged and mutilated. It may be well to quote here the law which regulates the redemption of mutilated bills. If the whole face of a note is in a condition which will permit its being recognized as a genuine bill it will be paid in full. If not more than two-fifths of the paper of a national bank note is gone and the note shows the name of the bank and the signature of one of its officers, it will be paid in full. A fragment of a national bank note which does not clearly amount to two-fifths of the original paper is not redeemable at all, except a satisfactory affidavit can be presented, showing that the balance of the note has been destroyed. When a national bank note amounts to



two-fifths or more, and not over three-fifths, it is redeemed at its proportional value. The circular of the treasury department for other than national bank notes rules that one-tenth of the value of the bill is to be deducted for each tenth or fraction thereof missing, unless the note is clearly less than one-half, when it is not redeemable.

#### **Counterfeit Notes.**

All United States notes are printed in sheets of four notes of one denomination on each sheet. Each note is lettered and numbered twice. All notes of which the number when divided by 4, shows a remainder of *one*, have the check letter **A**; a remainder of 2, the check letter **B**; a remainder of 3, the check letter **C**; those numbers which divided by 4 show no remainder, have the check letter **D**. Any United States note the number of which cannot be divided by 4 and show one of the foregoing results is a *counterfeit*. There are no secrets in the art of detecting counterfeits. Careful study, long experience, and a thorough familiarity with all kinds of genuine bills, will make any person an expert. Banks are required by law to stamp as "Counterfeit" all *bad bills* coming into their possession.

#### **Bank Loans.**

A portion of the loans of many banks consists of investments in solid bonds, but the bulk of the loans of banks are made on commercial paper; time and demand loans are made upon collaterals of many descriptions. The larger banks loan, on an average, from fifty to one hundred thousand dollars a day. A very large proportion of the commercial paper discounted is first handled by note brokers. Banks *discount* paper for their depositors—and simply term the operation discounting; but when they go outside of their line of depositors, in making investments in time paper, they call it *buying* paper. They generally buy from private bankers and note brokers. National banks are prohibited from loaning over ten per cent. of their capital to any one individual or corporation, except upon paper representing actually existing merchandise.

#### **Accurate Interest.**

The treasury department at Washington pays accurate interest, founded on a basis of 365 days to the year. The great majority of banks pay and charge interest on a basis of 360 days to the year.

**Money "On Call."**

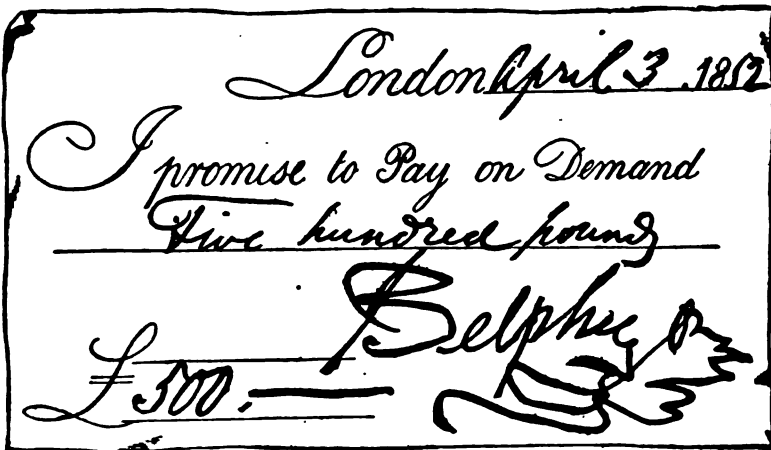
National banks located in clearing-house centers, find it a very convenient thing to put out quite a percentage of their loans *on call*. In some cities banks have a habit of borrowing on call from each other at clearing-house settlements. Call loans are payable on demand and are secured by demand notes.

**Collaterals.**


If a business man borrow \$1000 from a bank on his note and give ten shares of stock to the bank to be held by it simply as security, the stock thus given would be termed *collateral*. These collaterals are not the bank's property, and the bank is responsible for their safe-keeping. If coupons mature while bonds are being held as collateral, the owners are usually allowed to collect the amount for which they sell. Sometimes one note is given as collateral security for another which is discounted.

**Promissory Notes.**

A promissory note is a written promise to pay a specified sum of money. At the time of the note's issue, that is, when signed and delivered, two parties are connected with it: the *maker* and



the *payee*. The maker is the person who signs or promises to pay the note, and the payee is the person to whom or to whose order the note is made payable. Negotiable in a commercial sense



1920  
Philadelphia, July 12. ~~1897~~

**\$100.00**

One month after date I promise to pay to  
the order of Charles Dickens

One hundred <sup>100</sup>/<sub>100</sub> Dollars

Payable at the Trust National Bank  
without defalcation. Value received.

No. 246 Due *Walter Scott*

Wm. M. C. Co. Philadelphia

means *transferable* and a negotiable note is a note which can be transferred from one person to another. A note to be made negotiable, must contain the word *order* or the word *bearer*, that is, it must be payable either *to bearer* or *to the order* of the payee. A non-negotiable note is payable to a particular person *only*. A note may be written on any kind of paper in ink or in pencil.

#### Date of a Note.

The date of a note is a matter of the first importance. Some bankers and business men now consider it better to draw notes and time drafts payable at a certain fixed time; as, "*I promise to pay on the 10th of March, 1897.*" The common custom, however, is to make notes payable a certain number of days or months after date. A note made and issued on Sunday is void. The day of maturity is the day on which a note

becomes legally due. In most of the states a note is not legally due until three days, called *days of grace*, after the expiration of the time specified in the note. The words, "*without defalcation*" are inserted in Pennsylvania notes.

**Value Received.**

These words are not legally necessary although they usually appear on ordinary promissory notes. Thousands of good notes made without any value consideration are handled daily. The *promise to pay* of a negotiable note must be unconditional. It cannot be made to depend upon any contingency whatever. A note made payable in anything but money is simply a form of contract and is not a negotiable instrument.

**Accommodation.**

Notes and acceptances that are made in settlement of genuine business transactions come under the head of regular, legitimate business paper. An accommodation note, or acceptance, is one which is signed, or endorsed, or accepted, simply as an accommodation, and not in settlement of an account or in payment of an indebtedness. With banks, accommodation paper has a deservedly hard reputation. However, there are all grades and shades of accommodation paper, though it represents no actual business transaction between the parties to it, and rests upon no other foundation than that of mutual agreement. No contract is good without a consideration, but this is only true between the original parties to a note. The third party or innocent receiver, or holder of a note has a good title, and can recover its value, even though it was originally given without a valuable consideration. An innocent holder of a note which had been originally lost or stolen, has a good title to it, if he received it for value.

**Interest Notes.**

A note does not draw interest until after maturity, unless the words *with interest* appear on the face. Notes draw interest after maturity and until paid, at the legal rate.

**Endorser of a Note.**

An endorser of a note is any person who writes his name on the back of it, and by so doing guarantees its payment. Endorsements on notes are usually made in blank, that is, without the

words of "Pay to the order of." The receiver of the note is then free to endorse it or not at his pleasure if he wishes to transfer it. The endorser is liable for its payment if the maker fails to meet it. If an endorser should be compelled to pay a note he has a good claim against the maker, and against each endorser whose name appears above his own. An endorser to whose order a note is drawn or endorsed, can transfer it without becoming liable for its payment by writing the words "*without recourse*" before or after his name on the back. A person who receives a promissory note in good faith for fair value before the day of maturity, takes it free from all defects of title and from all claims that might be set up against any preceding holder. This is not true of notes transferred after maturity.

#### **Presentation for Payment.**

A note should be presented on the exact day of maturity. Notes made payable at a bank or at any other place, must be presented for payment at the place named. When no place is specified the note is payable at the maker's place of business or at his residence. The note must not be presented before or after maturity but upon the exact day of maturity if the endorsers are to be held liable for its non-payment.

#### **Protest.**

When a note is presented for payment at maturity and is not paid, it is usually *protested*, that is, a notary public makes a formal statement that the note was presented for payment and payment was refused. Notice of such protest is sent to the maker and to each endorser. The bank should never hand to its notary any paper for protest until it has made sure that its non-payment has not been brought about by some error or misunderstanding. Quite often, even though the paper has been made payable at a bank, the notary sends a messenger with the note to the maker to make a formal demand for payment. In taking in collection paper, banks should obtain clear instructions from its owners as to whether or not it should be protested in case of non-payment. It by no means follows that a formal protest is not desired because the paper bears no endorsements. Many banks make it a rule to protest all unpaid paper unless otherwise ordered.

**Date of Maturity.**

In finding the date of maturity it is important to remember that when a note is drawn *days after date* the actual days must be counted, and when drawn *months after date* the time is reckoned by months.

**Payment on a Note.**

If a payment is made to apply on a note, such payment should always be endorsed on the back of the note. Such endorsement requires no signature. The usual form is to give the date and write "Received on within note," stating the amount. An ordinary separate receipt is not sufficient. Each amount endorsed on the back reduces the face value.

**A Joint Note.**

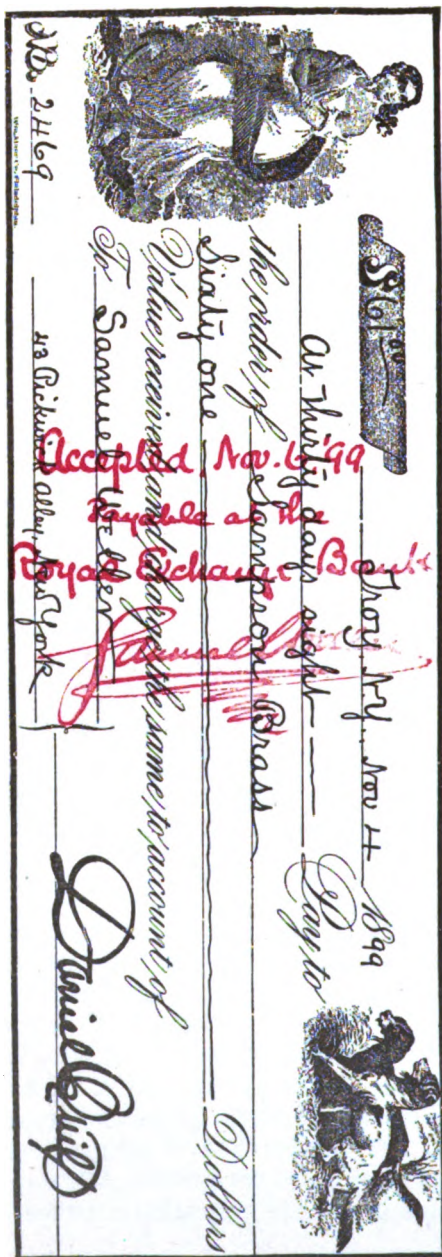
A note having two or more makers is called a *joint note*. If written "We jointly and severally promise to pay," either maker is individually liable for the whole amount if the other does not pay his share; if written, "We promise to pay," each is liable for his one-half. A note written "I promise to pay" and signed by two or more persons is a joint individual note.

**Signature to a Note.**

The maker's signature to a note must appear in some form upon some part of the paper. It may be affixed by himself or his authorized agent, and it may be the full name or the initials only.

**Commercial Drafts.**

A commercial draft is really a letter from one person to another requesting that a certain sum of money be paid to the person who calls, or to the bank or firm for whom he is acting. Commercial usages recognize a particular form in which this letter is written and the address of the person for whom it is intended is usually written at the lower left-hand corner instead of on an envelope. Commercial drafts are sent through the banks instead of directly through the mail. For instance if A of Boston owes B of New York \$100, B may draw on A for the amount. He may deposit the draft in a New York bank to be forwarded or he may



mail it himself to a Boston bank for collection. When the draft reaches the Boston bank, a messenger will carry it to A. If it is a *sight draft*, that is, if B wants the money paid at sight, immediately, A may give the money to the messenger and take the draft as his receipt. If it is a *time draft*, that is, if B gives A time, a certain number of days in which to pay the draft, A *accepts* it. He does this by writing the word *accepted* with the date and his signature across the face of the draft. He then returns the draft to the messenger and it is returned to B. An accepted draft is really a promissory note, though it is often called an *acceptance*. When a man pays or accepts a draft he is said to *honor* it. In this instance A is not obliged either to pay or to accept the draft. It is not binding on him any more than a letter would be. Of course, if he refuses to honor legitimate drafts, it may injure his credit with the banks and other business houses.

### **Collections by Draft.**

It is a very common thing to collect distant accounts by means of commercial drafts. A debtor is more likely to meet a draft than he is to reply to a letter and enclose his check. It is really more convenient and safer too, for there is some risk in sending personal checks through the mails. There are some houses that make all their payments by check, while there are others that prefer to have their creditors at a distance draw on them for the amounts due. If a business man who is accustomed to honor drafts continues for a period to dishonor them, the banks through which the drafts pass conclude that he is unable to meet his payments. Circumstances of this character have a tendency to injure one's credit. The messenger from a bank who presents a sight draft is not authorized to accept a check in payment, but the person upon whom the draft is drawn may, if he chooses, write across the face, "*Accepted, July —, 189—, payable at First National Bank,*" and under this write his name. See preceding page. Such a draft is then really a check—an order on his bank to pay the amount due for him, and the particulars must be entered in the check book just the same as though an actual check had been issued. Some houses deposit their drafts for collection in their home banks, while others have a custom of sending them direct to some bank in or near the place where the debtor resides. If the place is a very small one the collection may be made through one of the express companies.

### **Draft Notices.**

When goods are sold for distinct periods of credit and it is generally understood that maturing accounts are subject to sight drafts, there really should be no need of notifying the debtor in advance of drawing. Some houses, however, make a general custom of sending notices ten days in advance stating that drafts will be drawn if check is not received in the meantime. These notices may be often seen printed at the foot of statements sent out on the first of the month.

### **When are accounts due?**

Custom has made some rules which are now considered absolute by the best business houses. On general monthly credit accounts, all goods bought during the month are due on the first day of the month following and may be paid any time between the first and the tenth. Goods sold for cash should be paid for at once or within ten days from the date of sale. If a discount is allowed for cash that discount can



be claimed and is usually allowed if payment is made within 10 days. Goods bought on March 3 at 30 days would be due April 3 plus 10 days or April 13. That is to say, if a discount were allowed for payment within 30 days the discount could be claimed if payment were not made until April 13. It is a common custom to date sales ahead, to the first of the next month, or sometimes two or three months ahead. The dates then of drafts conform to the general custom of credits.

#### **Collections through Banks.**

If you desire to have your *bills receivable* and *commercial drafts* collected through a bank, you should place them with the bank at least fifteen days before maturity. About ten days before maturity the bank will send to the maker a formal notice stating that they hold a note against him, giving the amount, and date of maturity, and asking him to call and pay it. When a note is left at a bank for collection, it should be endorsed "*Collected for account of — — —*." By this endorsement the note is not transferred to the bank. The bank is simply authorized to collect the amount.

#### **Three Party Draft.**

If the drawer of a draft owes some one in the same city with the person upon whom he draws, that is, if he has a creditor and a debtor in the same city, he can draw on the debtor in favor of the creditor and forward the draft by mail to the creditor. The creditor will deposit it for collection in the ordinary way, usually after endorsing it.

#### **"No Protest."**

We often see attached to the end of a draft a little slip with the words "*No Protest; tear this off before presenting.*" This is simply private advice to the banker informing him that the drawer does not wish to have the draft protested. It may be that he does not wish to wrong, or injure the credit of, or add to the expense of his debtor, or it may be that he considers the account doubtful and does not wish to add to his own loss that of protest fees.

#### **Discounting Drafts.**

It is quite a common thing to have drafts discounted before they are accepted. For instance a wholesale merchant may have accounts out amounting to \$100,000 and he may need immediate working capital. He draws on his customers and sells his drafts to a bank either directly

or through a note broker. The amount of discount depends upon the money market. The drafts are as good as *one-name* notes. Some of them, of course, will be dishonored, but these are met by the drawer as soon as returned, or he may set aside an agreed upon percentage of the entire amount to cover the drafts likely to be returned. Drafts attached to bills of lading and other securities are frequently discounted when placed in the hands of the bank. Such drafts are usually drawn *at sight* or *at one day*.

#### **The Advantages of Taking a Note.**

It is generally understood that a debtor is more likely to pay a promissory note than he is to keep a simple verbal promise. It will injure his credit if he allows his paper to go to protest. It is difficult, too, to dispute a claim after a note has been given in settlement. The note may be used by the creditor in raising money for his own use, that is, he may get it *discounted*—sell it to a note broker or to a bank. But there are some disadvantages. If a note is accepted from a debtor the account cannot be collected until the day of maturity of the note. You may hold a note against a debtor, and if your note is not due, you cannot by any process of law prevent your debtor from selling everything he owns and leaving for *parts unknown*. A note that is overdue is in some particulars better than a note not yet matured. An overdue note draws interest at the legal rate from the date of maturity and legal steps to collect it may be taken at any moment.

#### **Discounting Paper.**

To discount a note or draft is to sell it *at a discount*. The rates of discount vary according to the security offered, or the character of the loan, or the state of the money market. For ordinary commercial paper the rates run from 4 to 8 per cent. Notes received and given by commercial houses are not usually for a longer period than four months.

#### **Drafts and Bills of Lading.**

The use made of commercial drafts in connection with bills of lading is quite interesting. For instance, the live cattle are paid for in Texas by the proceeds of a draft, with bill of lading attached, upon Chicago, where they are slaughtered. Bills of lading for the dressed beef shipped East are accompanied by drafts on New York, and the shipment per steamer to Liverpool or Glasgow is drawn against, in sterling, upon London. The latter draft is sold to a New York

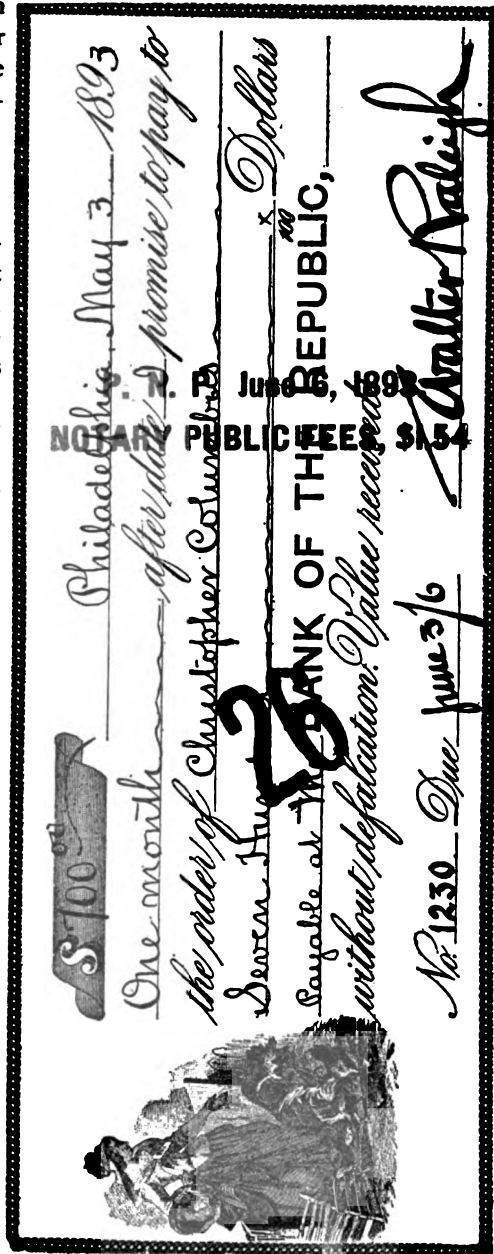
banker, who in turn draws against it in favor of merchants who are buying foreign exchanges.

#### Protest Notice.

The student will notice the copy of a protest notice—the form used by notaries in Massachusetts. An illustration is given also of a protested note stamped in red by the notary. The number is the clearing-house number of the bank.

#### Overdue Paper.

Negotiable paper whether made for accommodation or otherwise may be transferred by endorsement and delivery or by delivery alone either before it has fallen due or afterwards. There is a difference, however, in the liability attached to endorsers, and the value of the paper may be effected by the defences existing between the original parties. It would be well to consult a lawyer before accepting overdue paper, particularly if it has endorsers.



**Who is a bona fide holder?**

If the endorsee or holder of a note has no notice at the time he receives it, of any facts or circumstances that would prevent any of the

<p>L. VERNON BRIGGS, Notary Public.</p>	<p>U. S. PASSPORTS.</p>
<p><b>Commonwealth of Massachusetts.</b></p>	
<p>County of Suffolk, } ss. City of Boston, }</p>	
<p>On this <u>14<sup>th</sup></u> day of <u>June</u> in the year of our Lord one thousand eight hundred and ninety <u>two</u>, I, L. VERNON BRIGGS, Notary Public, duly appointed and qualified for the Commonwealth of Massachusetts, practicing in the City of Boston, at the request of the Cashier of the <u>First National Bank</u> of Boston, went with the original <u>note</u> which is hereto annexed, the tenor therein limited and given having fully elapsed, and demanded payment thereof at the <u>Broadway</u> National Bank and was answered <u>by the teller: No funds.</u></p>	
<p>The <u>note</u> remaining unpaid, I duly and officially notified the <u>holders</u> of said document, by written notice sent <u>each</u> per mail to <u>their offices in Boston Mass.</u></p>	
<p>( postage prepaid. ) _____ in said notices, requiring payment.</p>	
<p>Wherefore, I, the said Notary, by request, as aforesaid, have protested, and by these Presents do solemnly Protest, against the Drawers of said <u>note</u> and all others concerned therein, for Exchange, Re-Exchange, and all Costs, Charges, Damages, and Interest, I offered and Sustained, or to be Offered and Sustained, by reason or in consequence of the non-payment thereof.</p>	
<p>In Testimony Whereof, I have hereunto set my hand and affixed my Notarial Seal, the day and year first above written.</p>	
<p>Notary Not Acceptance, Fees, Travel and Expenses, Protesting for Non Payment, Fees, Travel and Expenses,</p>	<p>104 <u>L. Vernon Briggs</u> Notary Public. 62 Devonshire Street.</p>
<p><u>9/5/94</u></p>	

parties to the paper before him from recovering the whole amount, he is a *bona fide* or innocent holder, and if he has paid for the note, he is a holder *for value*, and can recover its full face. An alteration or

change in some material part of a promissory note, by a party to it, makes the paper void as regards all parties except those who assent to the change. Adding an interest rate is a change.

#### **A Set-off.**

If a man has a claim against you and you have also a claim against him, you call your claim a *set-off*, that is, something to *set* or cancel off part or all of his claim. Under ordinary conditions it is impossible to have a set-off against a note not in the hands of the original payee.

#### **Notice of Non-payment of a Note.**

If the note has been discounted or is in a bank for collection, the bank will send notice to the endorsers to the effect that the note has been presented for payment and payment was refused. If the note is in the holder's hands and payment, upon presentation, has been refused, the holder should immediately send a written notice to the endorser, if any, stating that a certain note made by——, for——, in favor of——dated——, and "by you endorsed" was this day presented to—— for payment and payment was refused. Such notice may be sent by mail.

#### **A "Mark" Signature.**

When a man who cannot write is asked to sign a deed or mortgage or other legal document, the usual custom is to have him affix a cross as in the illustration, some one doing the writing for him. Such a signature should be witnessed. See illustration. An endorsement of this kind is legal and is quite common. There are no legal rules governing the shape of the mark.

His  
 Charles X Meed  
 mark  
 Witness: Wallace Dill

#### **An Important Provision.**

A very important provision of the national bank act is as follows

"No bank shall loan or discount on the security of shares in its own capital stock unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith."

### **The Name "Bank."**

In some of the states the title *Bank* can be lawfully used by any one; in other states, for instance, New York and Massachusetts, the title *Bank* can be used only by duly incorporated banks which are organized and conducted under the provisions and restrictions of the state banking laws.

### **Power of Attorney.**

To give some one else the power to sign or endorse checks, notes, or other important papers, is called giving such an one *power of attorney*, that is, the power or authority to be your attorney. Such authority when given should be in writing and have a witness and should state explicitly what the *attorney* has power to do. The post-office department issues a printed blank for use by those who wish to transfer to others the power to sign money orders. Powers of this sort should be filed with the post-office, or bank interested, or should be made matters of public record at the offices of the register of deeds. The reader will find on the next page a power of attorney from Daniel Webster to Mrs. Webster giving her authority to draw and sign checks. This document appeared some time ago in *Rhodes Journal of Banking* and was taken from the files of the bank where it was actually used by Mrs. Webster.

### **The Return of Vouchers.**

Banks usually return to promisors and acceptors, all the papers which they have collected. When you pay a note or draft you expect to receive the cancelled note or draft in exchange for the money which you pay. In the same way paid checks are returned to the drawers of them, at the end of each month. This rule is not generally followed, however, between banks and their correspondents. The cancelled note or draft which you receive should not be destroyed. It may serve as an important voucher. A good plan is to tear the signature through the middle and destroy the torn off piece. The note is then destroyed as a credit instrument but remains sufficiently complete to serve as a voucher.

**Due Bills.**

A due bill is an acknowledgement and evidence of a debt. It may be payable in money or in merchandise. The ordinary form of due bill is not negotiable.

Know all men by these presents that  
I, Daniel Webster have constituted & ap-  
pointed, & do constitute & appoint, my  
wife E. Le R. Webster, my true & lawful  
attorney, in my name & stead, or in her  
own name, to make & draw, at all times  
hereafter, checks, or orders for any money  
standing my credit in the State Bank  
in Boston; & I hereby authorize said  
Bank & its officers to pay all such orders  
& checks, in the same manner as if  
drawn by myself

Witness my hand, at Boston,  
the 4<sup>th</sup> day of January 1847-

Attest  
Peter H. Hensley

Daniel Webster

**How Notes differ from other Contracts.**

There are three peculiarities which distinguish promissory notes from ordinary written contracts. 1. Notes are negotiable. 2. There is no statement in a note of consideration. 3. There are no days of

**grace** allowed on ordinary contracts. A note must have a clear promise to pay, without any attached conditions. The time must be certain, that is, it must not depend upon the happening of some uncertain event.

### **Legal Tender.**

In making money payments it is necessary often, or if the receiver demands it, to make payment in legal tender, that is, in the form of money required by law. For instance you cannot pay an account of \$18 in ten-cent pieces, if the creditor refuses to accept, for the reason that silver coin of smaller denomination than one dollar are legal tender in all sums not exceeding \$10.

### **Clearing-house Management.**

The bank clerks who attend to the clearing-house business must be experts in their special work. The slightest error on the part of one clerk may prolong indefinitely the entire settlement. As a check against error very severe rules are established. The following are samples from the by-laws of a large clearing-house:

1. For disorderly conduct of any clerk, or other officer, at the clearing-house, or disregard of the manager's rules and instructions, for each offense, \$4.00.
2. For any officer failing to attend punctually at the hour for making the exchanges, \$4.00.
3. Debtor banks, failing to appear to pay their balances before a quarter past 12 o'clock, \$3.00.
4. Any error in the credit ticket (that is the amount brought), \$2.00.
5. Errors in making the balance ticket (that is, the amount received) entries \$2.00.
6. Failing to deliver check tickets before half-past ten o'clock, \$1.00.
7. All other errors, \$2.00.

Any clerk, or other officer, who shall repeatedly and perseveringly disobey the orders or instructions of the manager, shall, with the approbation of the clearing-house committee, be expelled, and not readmitted without the written consent of the committee. Thirty minutes will be allowed for the morning business settlement, and for each additional fifteen minutes detention, \$2 will be added to the fine under No. 5.

The following selections from the general rules of the same clear-



ing-house will give the reader some idea of the exacting character of clearing-house regulations:

Errors in the exchanges and claims arising from the return of checks or other cause are to be adjusted directly between the banks which are parties therein, and not through the clearing-house.

Whenever checks which are not good are sent through the clearing-house they shall be returned by the banks receiving the same to the banks from which they were received as soon as it shall be found that said checks are not good; and in no case shall they be retained after one o'clock.

The manager shall immediately report to the clearing-house committee any apparent irregularity in the dealings of any bank belonging to the association that comes to his notice, and receive the instructions of the committee in regard thereto.

The committee shall have power to remove the manager or any of the clerks, whenever, in their opinion, the interests of the association shall require it.

The hour for making the exchanges at the clearing-house shall be ten o'clock A. M. each day. At a quarter past twelve o'clock, noon, the debtor banks shall pay to the manager, at the clearing-house, the balances due from them respectively either in coin or in such other currency as the laws of the United States shall require, or in such certificates as shall be authorized by the clearing-house association, excepting sums less than one thousand dollars, which may be paid in bills of the debtor bank.

At half-past one o'clock P. M. the creditor banks shall receive from the manager, at the same place the balances due to them respectively; provided all the balances due from the debtor banks shall then have been paid to him.

Should any bank fail to pay the balance due from it at the proper hour the amount of such balance shall be immediately furnished to the clearing-house by the several other banks in proportion to their respective balances against the defaulting bank resulting from the exchanges of that day.

#### **Foreign Clearing-houses.**

England has three bank clearing houses and France one. The clearing principle is used in England to adjust the complicated accounts of the through traffic of connecting railroads, and to simplify the fortnightly deliveries of stock on the London Stock Exchange. Every

clearing-house bank in London and the clearing-house itself, keep accounts with the bank of England, and differences are settled by transfers from one account to another. London originated the clearing-house. It was formed spontaneously by the clerks of the London private bankers, who, to save themselves the trouble of going about to each bank, got into the habit of meeting in a central room to settle their mutual claims. A similar practice arose among French merchants, in old times, of making their bills payable at the great annual fair in Lyons, where they met to balance their debts, and pay the differences. If gold were to be used instead of the clearing-house machinery in either New York or London, the weight to be moved every day over long distances would exceed 200 tons. The clearing-house establishes a fellowship among banks that has already proved in times of money panics, of the greatest service to themselves and the community.

#### **Hints for Depositors.**

Do not wait until you get to the bank to count your money, or to endorse your checks and arrange your deposit. This should be done before you come to the bank, or at least, before you present yourself at the receiving teller's window. Be sure that you have the figures correct. Place the bills all one way, right side up. Separate your gold and silver, and sort the silver by denominations. Do not deposit your dimes, nickels, and pennies until you have a certain amount of them, say five dollars of each; then put them in a package, with the amount and your name marked on it, and leave for the teller to count at his leisure, with the understanding that if short or over the proper correction will be made.

#### **Borrowing from Banks.**

It is the business of a bank to loan money to responsible persons, within reasonable limits. The regular customer of the bank is entitled to and will receive the first consideration if the demand is larger than the bank can safely meet. A business man should not hesitate, when occasion requires, to offer his bank any paper he may want discounted, if in his opinion it is good, nor should he be offended if his banker refuses to take it, even without giving reasons. Make your own notes and acceptances payable at your bank. Keep a careful record of the dates of maturity of all paper which you make or endorse. It is usually better, that is, more convenient to the holder, to pay your note early on the day it falls due, rather than a day or two before.

**Rates for Loans.**

In loaning money on demand, when it is strictly understood between bank and borrower that the money so advanced is positively minute money—money returnable at any minute, when the bank calls for it—banks usually charge low rates of interest. When interest rates are high, bankers prefer to deal in long-time paper. This general rule is reversed when the situation is reversed. Bankers aim also to scatter and locate their maturities so that as the seasons roll around, they will not have very large amounts maturing at one time and very small amounts at another. They plan also to be “in funds” at those seasons when there is always a large and profitable demand for money. For instance in the centers of the cotton manufacturing interest the banks count on a large demand for money between October and January when the bulk of the purchases to supply the mills are made; again, among those who operate and deal in wool there is an active demand for money in the wool clip in the spring months. The wheat and corn crops are autumn consumers of money. Midwinter and midsummer in the north are usually periods of comparative stagnation in the money market. All these things affect rates, and the successful banker is he who from observation and large experience shows the most skill in timing his money supply.

**When Interest Accrues.**

There are certain well-defined principles which make clear when interest is accruing and when it is not. Money voluntarily left by any one in the hands of another will not, of course, draw interest unless a specific mutual agreement to that effect is made. In most cases, a demand note bears interest even though there be no statement to this effect on the face of the note. Money on deposit in a bank without an agreement to pay interest will not accumulate interest even though it remain fifty years.

**Forged Endorsements.**

A bank is supposed to know the signatures of its depositors. It is one of its first and most important duties to have them on file and immediately accessible by the use of a well-kept signature book. Holders of checks, in very many cases, know nothing about these drawer-signatures. They have taken them, supposing, of course, that they are genuine. When they have collected the checks at the banks upon which they are drawn they are to a very great extent relieved of all

further responsibility as to the signatures of the signers, for the bank by paying them has guaranteed their genuineness. But the bank which cashes for a good holder a much-endorsed check, the signature of which is all right, generally knows nothing about its many endorsements beyond the fact that they seem to be all right and stand there in regular order, apparently correctly made. For the honesty and genuineness of these many or few preceding endorsements the last holder, for whom the check is cashed, whether he endorse the check or not, is fully and legally held, and no reasonable lapse of time before a discovery of the forgery is made will relieve him of this liability.

#### **Trust Companies.**

The ordinary trust company with which city people are familiar is very similar in its management to a national bank. They invest their deposits and capital in the same class of securities, and they are equally careful and conservative in the matter of their loans. They receive money on deposit subject to checks and allow interest on deposits which exceed a nominal sum—usually from \$300 to \$1,000. They are organized under and are subject to state laws. They have connection with the clearing-houses either direct or through some convenient national bank. They are in form of organization very similar to the great joint-stock banks of England. They are usually authorized to receive and hold moneys and property in trust and on deposit from courts of law or equity, executors, administrators, assignees, guardians, trustees, corporations, and individuals, and may be appointed by probate courts trustees under any will, upon such terms and conditions as may be agreed upon. They act as trustees for widows or children, take charge of and manage property, and collect interest and rent. They act as transfer agents for railroad and other stock, and as agents for the purpose of issuing, registering, or countersigning the certificates of stock, bonds, or other evidences of debt, and for the payment of dividends. They act as agents or attorneys for the care and management of invested property.

#### **Safe Deposit Vaults.**

Many of the banks, trust companies, and insurance companies make a special feature of renting small safe deposit boxes or drawers in their vaults to any and every person who chooses to pay the rent asked, which depends largely on the amount of space needed and is usually \$10 for the smallest sized box. It is very convenient for one who has not a safe of his own to have a secure place in which to keep valuable

papers. In many of the larger safe deposit vaults there are desks and stationery for customers so that one may at any time and very conveniently and privately examine one's papers and make entries or endorsements, or add new vouchers, or make changes, as the occasion may require.

#### **A Depositor's Credit.**

As a rule, banks do not make known even to a single individual the extent of a customer's business or the size of his bank account. However any shareholder in a bank has a right, as one of the proprietors, to examine the books, so long as such examination is not an unreasonable interference with the regular routine of work, and it is pretty generally known that a large depositor can either directly or through some other bank get at the condition of a small depositor's account.

#### **Giving Bonds for Faithful Service.**

Bank clerks and officers are usually required to give bonds, that is, they must get some person to go their suretyship, thus guaranteeing faithful service, and agreeing to make good any losses caused by defalcation or carelessness. There are now several surety companies that give bonds for everyone and anyone whom they consider a "good risk" upon the payment of certain premiums as in insurance. If a young man is an applicant say for a cashier's position in a mercantile house and the house requires that some one give a bond, that is, go his surety for \$10,000, and the young man has no rich father or uncle to guarantee the house against loss, he applies to a bond insurance company and if his record and habits are good he has no difficulty in securing the necessary papers. The amount of the bond required depends upon the importance of the position applied for. Presidents of banks do not usually give bonds. The bonds of personal friends have always a good deal of moral weight and force and for this reason are considered superior to the bonds granted by a guarantee company. Such a bond is really a testimonial, and the last one that is likely to be violated. The record shows that marvelously few employees have violated such bonds. The guarantee companies look into a man's standing very thoroughly before taking the risk of becoming his surety. When an application is made three references are given and the company corresponds with the persons whose names are given as references and asks a great many very pointed questions. A young man with good social standing can secure bonds for five or ten thousand dollars by the payment of a small annual premium.

**Know all Men by these Presents,**

That we,.....*Henry Brown*.....as principal, and .....*James Carr*.....and *Henry Johnson*.....as sureties, are holden and stand firmly bound unto

**The Royal Exchange Bank, of New York,**

in the sum of.....*Ten Thousand* .....dollars  
to be paid unto the said.....*Royal Exchange Bank* .....

**Whereas**, the said .....*Henry Brown*.....has been duly appointed to the office of.....*Cashier*... ..of the bank aforesaid, by the Directors thereof, and has signified his acceptance of the said appointment:

**Now the condition of this Obligation is such, That if** the said.....*Henry Brown*.....shall faithfully discharge the duties of his said office and all other duties that are, or may hereafter be, prescribed by the President and Directors, for and during the term for which he has been so elected, and for and during such term of time as he may continue therein, by any re-election or otherwise, then this obligation shall be void, but otherwise shall remain in full force.

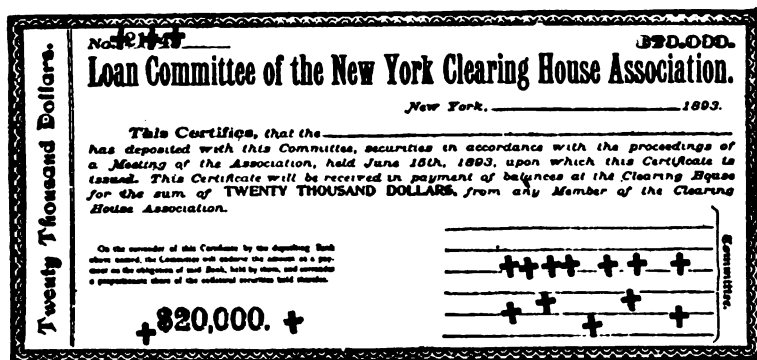
It is, however, understood, that in case of the death of either of the above-named sureties, or in case either of the above-named sureties shall at any time give notice in writing, to the President or Directors, for the time being that he does not wish to be held any longer responsible on this obligation, thereupon both of the above-named sureties shall be discharged from liability on account of any default of the said principal which may occur after thirty days from and after the notice of such death, or of such wish to be discharged as aforesaid.

Signed and sealed in the presence of

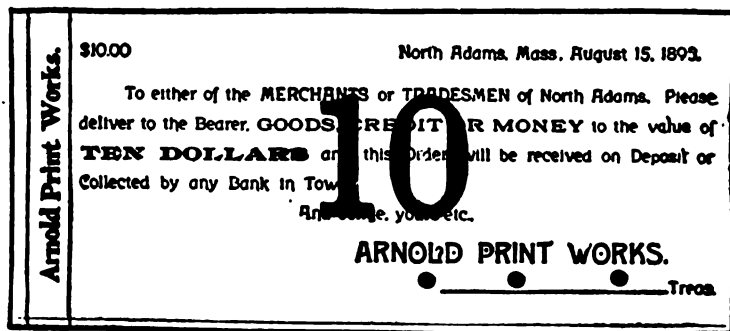
Witnesses :	{	<i>Chas Wood.</i>	{	<i>Henry Brown</i> .....(SEAL.)
		<i>William Greene.</i>		<i>James Carr</i> .....(SEAL.)
		<i>B. S. Rover.</i>		<i>Henry Johnson</i> (SEAL.)

### Use of Instruments of Credit.

All the wholesale transactions and a large part of the retail transactions are completed by the passing of instruments of credit—negotiable titles: notes, drafts, checks, etc.; a part of the retail trade only is conducted by what is called cash, that is, actual bills and small change. It is the function of banks to deal with these transferable titles. Banks deal to a very small extent in actual money. The notes,



drafts, bills of exchange and bank deposits are representative of the property passing by title in money from the producers to the consumers. A small proportion, perhaps six or eight per cent., of these transactions, is conducted by the use of actual bank or legal tender notes. This



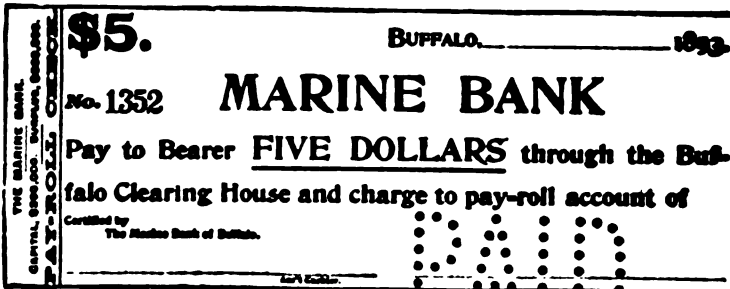
trade in instruments of credit amounts to nearly fifty billions of dollars yearly. The losses through mercantile failures rarely exceed one hundred millions a year, that is one dollar in every five hundred, or one-fifth of one per cent. of the gross amount of business.

**Emergency Currency.**

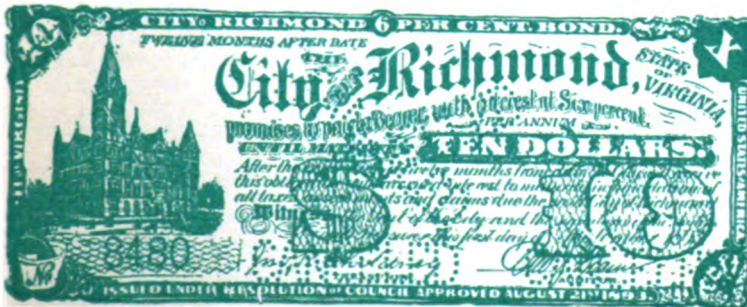
Some samples are given here of the emergency currency of 1893.



Beginning in August and within a single month a currency famine due to a variety of causes became general. The banks ceased to loan



money, many of them fearing "a run." Interest reached 20, 50, and 100 per cent. The banks of one city refused to accept drafts on an



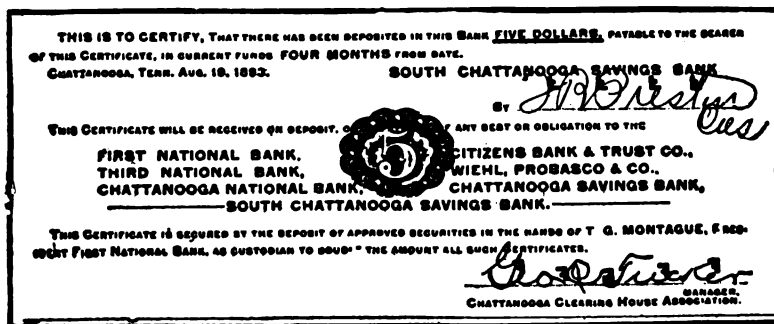
other. Some hundreds of banks were compelled to close their doors. The country had been doing ninety per cent. of its business upon credit



instruments—not actual money, and when these instruments were refused a financial panic was the result. Men preferred currency in hand to the best kind of credit account, and as a result the actual money was locked up in private vaults. Currency became so scarce that it had to be bought as merchandise at a heavy premium. Merchants were forced to send by express the actual bills to meet distant accounts and to pay



the expenses of their families at the summer resorts. Checks were useless away from the banks upon which they were drawn. More than \$300,000,000 was withdrawn from the banks and hoarded by the owners. This situation brought into local circulation several forms of currency—credit instruments—which were decidedly unique. The most



common of these were the emergency clearing-house certificates, their object being to extend indefinitely the brief term of mutual credit involved in all clearing-house settlements. They were in reality not used as currency, but their effect was to add their face value to the volume of currency in circulation, by releasing, for use outside, that which would otherwise have been reserved for clearing-house settlements. In

each instance the use of the certificates was limited strictly to settlement of mutual accounts between members of the particular clearing-house association issuing the certificate. The certificates were issued to banks upon securities which they furnished. Note the reading on the New York certificate, an illustration of which is given. Other devices of similar character were clearing-house due bills. These stated that a certain sum was due by a particular bank to some other bank or to the order of some individual, and usually had the following additional wording: *This due bill is only good when signed by one and countersigned by another authorized person, and is payable only in the exchanges through the clearing-house the day after issue.* Another expedient favored in all parts of the country, was the sale by banks of certified checks against themselves for currency denominations, which when signed by the purchaser, were used by him as currency. Most generally used of all, however, were pay checks in currency denominations, which in scores of manufacturing towns, were the only currency that was available for weekly payments and cash purchases by wage-earners. In addition to these well defined classes, there were others so varied that but a suggestion of them can be made—negotiable certificates of deposit; ninety-day and other short time paper in currency denominations; bond certificates; grain purchase notes; credit and corporation store orders; improvement fund orders; teachers' warrants; shingle scrip, etc. In every case where the associated banks of a section failed to supply the needed currency, individuals and corporations were compelled to resort to extraordinary devices. This illegal bank-note currency was accepted by the community, the financial conditions became normal again, and every credit instrument was made good in actual money.

#### **Defalcations and Embezzlements.**

An experienced banker offers the following suggestions to prevent defalcations and embezzlements through the manipulating of the bank's record books: Secure clerks of high character and integrity and have a proper system of accounts with a perfect system of checking everything. If possible keep accounts in duplicate. The balance ledger can be proved to a cent every day, and this should certainly be done. When practicable, it is better to have all differences investigated, and reported upon by some one who is not directly responsible. A number of banks in the large cities have created the position of auditor of accounts, and it is one of his duties to report to the cashier direct upon

all differences. This auditor reconciles accounts-current with out-of-town correspondents, balances and delivers all pass-books, and furnishes information to all depositors respecting their accounts. A great benefit is secured to a bank by the examination of one man's work by another. Pass-books of active accounts should be written up once a month, and no pass-book should run longer than two months before being balanced. It should be a rule in every bank that no charge entry should be put through the books, except from a proper voucher, that is, a check signed by a depositor, or a charge ticket made out and signed by an officer of the bank. The discount clerk and the collection clerk should not be the same person, and neither of them should be the corresponding clerk. The monthly accounts-current rendered by a city correspondent should be reported upon promptly, and any disposition on the part of the bookkeeper to delay or neglect this matter should be corrected. A very important requisite in modern banking is a system of thorough examination at irregular intervals. No teller, bookkeeper, or other clerk can suffer the slightest harm from having his cash and books examined and found correct. All notes held for collection should be accounted for, and balances due from other banks for collections, should be verified. Special deposits of securities held for safe-keeping should be examined occasionally. The more complex the bookkeeping the easier it is to "cook" the accounts.

#### **A rare Bank Note.**

The photo-copy of the \$2-note here given is a good sample of the old style state bank notes in circulation sixty or seventy years ago. The note reproduced here is the property of Mr. John A. Kennedy, cashier of the Niagara Bank of Buffalo. He considers it worth \$1,000.

#### **Foreign and Domestic Commercial Credit.**

It is to credit alone that we are indebted for that intermediate agent which plays so important a part in the transaction of business, whether it be in causing supply and demand to meet, or in applying to the industry of exchange the principle of the division of labor which is so favorable to production. Without credit this intermediary is impossible in most instances. It gives birth to both industry and trade. It multiplies the producing and consuming power of society; by facilitating exchange it accelerates and increases it. In reality the largest share of the business of the world is done on a credit basis. In many instances the instruments of payment which we call cash are in reality

only promises to pay. During the Middle Ages credit transactions of great importance and on long time were effected without leaving the slightest trace in writing; and even to this day the Russian producers and merchants who frequent the great fair at Nijni Novgorod, contract credit obligations for twelve months' time, without giving the least evidence of the debt, and that for a very good reason: very frequently they can neither read nor write. When we give credit we give value and wait for the value we are to receive in return; but we often cannot afford to do this, so we get some other person to wait for us by giving him an instrument of credit which we take when we deliver our goods. This person to whom we give the instrument of credit may not be able to wait either, so he takes the paper to the bank and discounts it. It is the business of the bank to wait, not the business



of the merchant. The latter should keep his full capital active every day and every dollar he is waiting for is inactive and is earning nothing. On the hand the bank increases its capital by waiting for the simple reason that it charges for waiting just as a lawyer charges for giving his time to his client. But does this increased circulation increase capital? The machine runs faster and turns out more work but doesn't increase its size or its intrinsic value; it is the work that counts, not the machine.

### **History of Financial Exchange.**

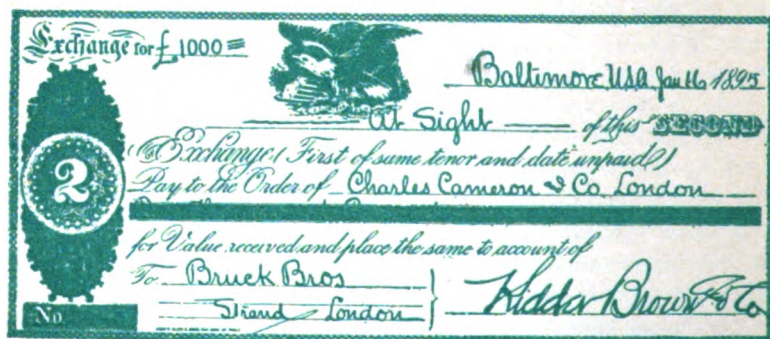
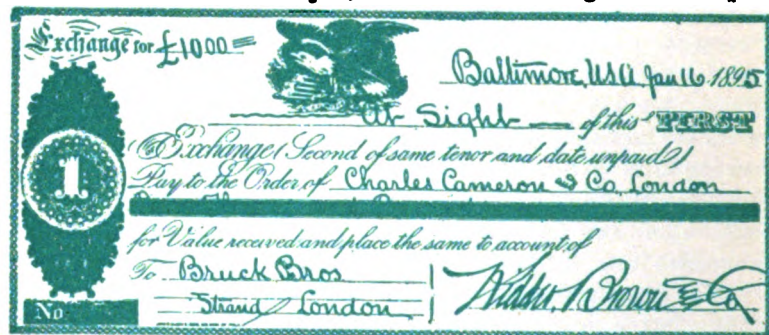
In early times foreign trade consisted in the direct exchange of commodities. A caravan set out with a variety of manufactured articles, across the deserts of Arabia or Sahara, and came back with the ivory, spices, and other valuable raw products obtained by barter. In later times the merchant loaded his own ship and sent her forth on an adventure, trusting that his shipmaster would sell the cargo to advantage, and, with the proceeds, bring back another cargo to be sold to great profit at home. Trade was thus reciprocal, and what was sent out paid for what was brought back. Wherever this direct reciprocal exchange did not exist it was necessary to devise some mode of transferring debts. To the early Italian and Jewish merchants we owe the development of the use of the credit instruments which have since developed into bills of exchange. As early as the fourteenth century bills were used under similar customs and of about the same form as those of the present day.

### **Principles of Exchange.**

In commerce the term *exchange* is generally used to designate that species of mercantile transactions by which the debts of individuals residing at a distance from their creditors are cancelled without the transmission of money. Among cities or countries having any considerable intercourse together, the debts mutually due by each other approach, for the most part, near to an equality. There are at all times, for example, a number of persons in New York indebted to London, and perhaps, as many persons in London indebted to New York. Hence when A of New York wishes to make a payment to B of London, he does not send the actual money, but he goes into the market and buys a *bill of exchange* on London, that is, he goes to a New York bank, doing a foreign business, such as Brown Bros., or Drexel, Morgan & Co., and buys a draft, called a bill of exchange, which is in reality the New York banker's order on his London *correspondent bank*.

ing the latter to pay the money to the person named. It may be that about the same time some London merchant who owes money in New York goes to the very same London banker and buys a draft on the New York bank. In this way the one draft cancels the other, and when there is a difference at the end of a week or month the actual gold is sent across to balance the account. Inland or domestic bills are commonly called drafts. Foreign bills, that is, bills on foreign countries are called *exchange*. The *par* of the currency of any two countries means among merchants, the equivalency of a certain amount of the currency of the one in the currency of the other, supposing the currencies of both to be of the precise weight and purity fixed by their respective mints. Thus according to the mint regulations of Great Britain and France, £1 sterling is equal to 25.2 fr., which is said to be the par between London and Paris. And the exchange between the two countries is said to be at par when bills are bought or sold at this rate; that is, for example, when a bill for £100 drawn in London is worth 2520 francs in Paris, and conversely. When £1 in London buys more than 25.2 fr., exchange is said to be in favor of London. The par of exchange between Great Britain and the United States is 4.86⅔, that is, a £1 sterling is worth \$4.86⅔. Exchange is quoted daily in New York and other city papers at 4.87, or 4.87½, etc., for sight bills and at a slightly lower rate for sixty day bills. These are the two common kinds of bills usually bought. The sixty day bills bought in New York are as good as cash when they reach London but they are cashed at a discount from their face value, unless they are held until the date of maturity. The foregoing statements explain in a general way the meaning of the par of exchange, but its exact determination, or the ascertaining of the precise equivalency of a certain amount of the currency of one country in the currency of another is exceedingly difficult. If the standard of one be gold and that of another silver, the par must necessarily vary with every variation in the relative values of these metals. The value of the precious metals even in contiguous countries, is always exposed to fluctuations from the overissue or withdrawal of paper, from circumstances affecting the balance of payments. Gold is usually high when there is a demand for gold or a scarcity of it just as in the case of potatoes or wheat. It is obvious, therefore, that it is all but impossible to say, by merely looking at the mint regulations of any two or more countries, and the prices of bullion in each, what is the par of exchange between them. The imports and exports of bullion is the real test of exchange. If bullion is stationary,

neither flowing into nor out of a country, its exchanges may be truly said to be at par; and, on the other hand, if bullion is being exported from a country, it is a proof that the exchange is against it, and conversely if there be large importations. Variations in the actual course of exchange, or in the price of bills, arising from circumstances effecting the currency of two countries trading together, are *nominal* only: such as are *real* grow out of circumstances effecting their trade. When each buys of the other commodities of precisely the same value, their debts and credits will be equal, and the real exchange will be at par.



This condition of affairs very rarely happens. The cost of conveying bullion from one country to another forms the limit within which the rise and fall of the *real* exchange between them must be confined. If a New York merchant owes a debt in London and exchange costs him, say 2 per cent, and the cost of shipping the gold is only 1 per cent. it will be to his advantage to pay the debt by sending the actual coin across, so that the limit within which trade fluctuations may range corresponds to the actual cost of making remittances in cash. Fluctua-

tions in the nominal exchange, that is, in the value of the *currencies* of countries trading together, have no real effect on foreign trade. When the currency is depreciated, the premium which the exporter of commodities derives from the sale of the bill drawn on his correspondent abroad is only equivalent to the increase in the price of the goods exported, occasioned by this depreciation. A favorable *real* exchange

Gera. Russ June 10th 1873  
 Mr. Genl. Oettersheim  
 Philadelphia  
 Pa.

Dear Sir,

I am in receipt of your  
 favour of the 29<sup>th</sup> ult.  
 enclosing ~~check~~ *check* for \$1145.13  
 which I have passed to your credit  
 with thanks.

I remain,

Dear Sir,

yours respectfully

Alfred Hunt

operates as a duty on exportation, and as a bounty on importation. It is the interest of merchants or bankers who deal in foreign bills to buy them where they are the cheapest, and to sell them where they are the dearest. For this reason it might often be an advantage for a New York merchant to buy a bill on London to pay a debt in Paris, or to buy a bill on Paris to pay a debt in Berlin. For instance, in the trade



between England and Italy the bills drawn on England amount invariably to a greater sum than those drawn on Italy. The bill-merchants, however, by buying up the excess of the Italian bills on London, and selling them in France and other countries indebted to England, prevent the *real* exchange from ever becoming very much depressed.

#### Changes in Exchange Rates.

Exchange is not effected so much by the balance of trade as by the balance of indebtedness. Europe can contract debts in America by the purchase of stocks, bonds, or other securities as readily as by the purchase of wheat, cotton, or oil, the rate of foreign exchange being similarly affected no matter what is bought. European owners of American securities when sending them to America obtain the right to

DREXEL & CO..	
AMERICAN AND FOREIGN BANKERS.	
Received, Philadelphia, March 22, 1893, of Mrs. S. C. Hartman	
One Thousand eight hundred and ninety seven 68 Dollars, in	
payment for Cable Transfer £387 7-6 made by means of the	
through Messrs. J. Morgan & Co. London for of all kinds to us arising from	
any error or delay in transmission on the part of the Telegraph Companies	
£387 7-6 @ 187 1/2 = \$1892.68	19.6

draw against the American receivers of those securities. One hundred shares of stock sent by a London firm to a New York firm, will make as much exchange against New York as the same value in wheat shipped by a New York firm to a Liverpool account; so that the balance of trade, so far as imports and exports are concerned, may appear favorable and yet no balance of indebtedness appear. The movement of merchandise is recorded while the movement of securities is not recorded. The sum total of our securities in European hands is unknown, but it probably exceeds our national debt. The rate of foreign exchange, affected by trade movements and by the movements of securities, is also affected by interest and dividend payments and by remittances for freight on importations of merchandise, the owners of vessels usually being foreigners. Our large cities send annually to Europe drafts for hundreds of thousands of dollars to cover interest on

city bonds. Foreign exchange is affected too, by the difference which exists at any time between the American and European market rate of interest. If money can be loaned at 10 per cent. in New York while only 3 per cent. can be obtained in London, there is an advantage in keeping or sending money here, the difference in interest being greater than the cost of transportation. The fact of ours being a gold producing country is also important, for it indicates that a small annual export of gold is to be expected. There is another factor which has a noticeable effect, namely that of travel. Thousands of wealthy Americans travel abroad every summer and the letters of credit which they carry, if not counterbalanced by some other cause, require gold shipments to meet them. Ordinarily when the market rate of demand exceeds 4.867 it is evident that foreign goods have been imported too freely, or American goods are not wanted abroad, or American securities find a better market here than in Europe, or rates of interest here are too low to attract or keep foreign money, or foreigners are short of money, or there are great numbers of Americans abroad, or we have produced a surplus of gold, or freight remittances are large, or interest payments on securities owned abroad are heavy. And when the market rate is below 4.867, the reverse is true. Of course there are other causes, and important ones too, but those named are the principal causes of changes in rates under normal trade conditions. Eastern capital is extensively used in the West, because the people of the West can make a profit by its use in excess of the interest and dividends sent to its owners. For the very same reason, European capital is extensively used in the United States.

#### **Domestic Exchange.**

The principle of domestic or local exchanges is precisely the same as that described as underlying the foreign exchange business. In foreign exchange we have to do with a mixture of dollars with sovereigns or other foreign money. In domestic exchange we have dollars at both ends of the line. Suppose A of New York owes B of Chicago \$12,000. He buys a draft (check) on Chicago for this sum and mails it to B. Now this draft will cost him something in addition to its face, but it should not cost more than \$12 exchange, for the reason that A can take his \$12,000 in bills or gold and express it to Chicago for \$12. If \$12 were charged the rate of exchange would be  $\frac{1}{100}$  of one per cent. But suppose that at the same time C of Chicago has \$8,000 to send to D of New York and is trying to buy a draft in Chicago. If C keeps his

money or turns it over to B, or to B's bank, or for that matter to any bank, A need not ship more than \$4,000, for the balance can be turned over to D in New York, or to D's bank, or to any bank. Now \$4,000 can be shipped for \$4, so that the rate of exchange on a draft for \$12,000, only \$4,000 of which need be shipped, should not be more than  $\frac{1}{3}$  of one per cent. Under normal conditions exchange should be based upon the cost of shipping the balances due rather than the gross amounts due. If Chicago is buying more through New York than New York is buying through Chicago, it will be necessary at regular intervals to ship gold or bills from Chicago to New York to meet the differences, and when this is the trade condition, drafts on New York if purchased in Chicago will be at a premium. Drafts bought in New York on Chicago should be at a discount, but as a matter of fact, they will be at par. There are, of course, many other things which affect exchanges. Our banking system is such that the condition of the money market is uniform in each banking center but these centers may differ very largely from each other, and while in Boston the banks might have more money than they could use, the banks of St. Louis or St. Paul might be unable to meet the demand upon them.

#### **The Cost of Shipping Gold.**

There are times when it is to the advantage of the banker or merchant to ship gold to meet foreign debts. Usually if sight bills on England cost more than 4.90 it is cheaper to ship gold. The following figures give some particulars of the cost of such shipments: *Freight*— $\frac{3}{8}$  of one per cent. *Insurance*— $\frac{3}{8}$  of one per cent. *Abrasion*—From nothing to  $\frac{3}{8}$  of one per cent. on \$20-pieces;  $\frac{3}{8}$  per cent. to  $\frac{1}{4}$  per cent. on \$10-pieces, and  $\frac{1}{4}$  per cent. to  $\frac{1}{2}$  per cent. on \$5-pieces. The cost of bringing gold from London to New York is the same as the cost from New York to London. The actual demand for gold in either city will affect its value slightly, and this temporary value must be ascertained before making close figures on a large transaction.

#### **The World's Financial Center.**

There is no doubt of the fact that London is the financial center of the world. This tendency to the centralization of financial business in London is much promoted by the fact that the largest mass of cheap loanable capital exists there. The general rate of interest in New York is at least 3 per cent. higher than in London, so that a trader who has credit enough to obtain loans in London, will make a profit by borrow-

ing there rather than in New York city. The great banks of the world each of which is a center for its own section of country must have a general center for clearings and London has grown to be this center. The great foreign trade of England, her thousands of carrying ships, her merchants and investments in every country on the globe, the age and strength of her great financial institutions, and the many distant colonies and dependencies which naturally have financial relations with the capital of the empire, tend to give London the unique position which is rightfully hers. Lombard and Threadneedle streets are the great money streets of London, as Wall street is of New York.

### **The World's Currencies.**

In addition to the gold and silver coins, the *United States* has in circulation about \$350,000,000 in "greenbacks"—the remnant of the forced paper currency of the civil war; about \$155,000,000 in treasury notes issued in payment for silver bullion; gold certificates in denominations of not less than \$20, issued upon deposits of gold; silver certificates issued against standard silver dollars deposited in the treasury; currency certificates issued in denominations of not less than \$5,000 upon the deposit with the treasury, by national banks, of United States legal tender notes; national bank notes of denominations of \$5 and upwards, issued by banks upon the deposit with the treasury of United States bonds which are held as security for the ultimate redemption of the notes. The currency of *Great Britain* in actual circulation includes the gold sovereign (value \$4.8665) and half-sovereign; the silver crown (value \$1.087), half-crown, shilling (value \$0.217), six-pence, four-pence, and three-pence. The paper money includes the notes of the Bank of England the smallest denomination of which is £5, the notes of the Scotch and Irish banks, the smallest denomination of which is £1, and the notes of the joint stock and private banks. The currency of *Canada* is in form, at least, similar to that of the United States. Canada has no gold coinage of her own. The gold coins of the United States and Great Britain pass current and are legal tender. The silver coins are similar to those of the United States except that there is no silver dollar, and a silver five-cent piece. The notes issued under the authority of the Dominion are of the denominations \$1, \$2 and \$4, and are redeemable on demand in gold. Bank notes are issued by the chartered banks in denominations not smaller than \$5. No special security in the way of deposit of bonds is required, but the notes in case of insolvency are a preferred claim against all the

assets of the bank, including the double liability of the stock holders. The aggregate issue rarely exceeds sixty per cent. of the paid-up capital of the bank and must not exceed one hundred per cent. The monetary system of *Australia* is the same as that of Great Britain. *British India* has a silver standard unit, the rupee (value \$0.444). There are gold coins in value equal to five, ten, fifteen, and twenty rupees respectively. The government issues notes ranging in value from five to ten thousand rupees secured by deposits of gold and silver. The money in circulation in India exceeds one billion dollars. *Germany* has a gold standard with the mark (value \$0.208) as the monetary unit. The smallest gold coin is the 5-mark piece. The silver coins are the 5-mark, 2-mark, 1-mark,  $\frac{1}{2}$ -mark, and  $\frac{1}{4}$ -mark pieces. The paper money includes the imperial treasury notes payable in gold, and the bank notes of the Reichsbank, an institution with individual shareholders, but largely under the control of the government. The issue of notes of less denomination than 100 marks is prohibited. The government of *Austria-Hungary* has recently established a monetary system with the gold crown (value \$0.203) as the unit. The gold coins consist of a 10-crown and a 20-crown piece, and the silver coins of a crown and a half-crown piece. As a matter of fact there is very little metallic money in circulation. The money most in use consists of an irredeemable paper currency issued by the Austro-Hungarian Bank in denominations of 10, 100, and 1,000 florins (two-crowns), and by the treasury in smaller denominations. The *Latin Union* which includes France, Belgium, Italy, Switzerland, and Greece has now a single gold standard with the franc (value \$0.1929) as the monetary unit. The smallest gold coin is the 5-franc piece; the silver coins are the franc, the 2-franc, the half-franc, and the 20-centimes (one-fifth of a franc). The coins of one country are received at par in the others. *France* issues bank notes through the bank of France. *Belgium* issues bank notes through the bank of Belgium, payable to the bearer at sight, and individuals and associations are free to issue bank notes on their own responsibility. *Italy* has no state bank, but there are in the country six banks which are authorized to issue notes payable on demand. The smallest denomination is 50-lire. *Switzerland* has now a state bank with central offices at Berne and branches throughout the country. *Greece* has three banks authorized to issue notes on such a very low gold and silver reserve that for many years gold has been at a premium. *Spain* has the silver peseta, equivalent to the franc, as a monetary unit. It has the same gold and silver coins as the other countries of the Latin

**Union.** The only bank of issue in the country is the bank of Spain, a private institution, with certain government restrictions. Its smallest note of issue has the value of 25-pesetas. The *Scandinavian Monetary Union* embraces Sweden, Norway and Denmark. The krone or crown (value \$0.268) is the monetary unit. The gold coins are 10-kronen and 20-kronen, and the silver coins are the 2-kronen, the krone, and the fractional currency. *Sweden* has a bank of issue entirely under the control of the state. Joint-stock banks are also permitted to issue notes under restrictions favorable to the monetary system. *Norway* has one bank of issue—a joint-stock bank with the state as principal shareholder. *Denmark* issues notes through a state bank. The monetary unit of *The Netherlands* is the guilder or florin (value \$0.402) of 100 cents. The gold coins are the 10-florin and 5-florin pieces. The bank of the Netherlands, situated in Amsterdam, has the exclusive right to issue notes. The monetary unit of *Russia* is the silver ruble (value \$0.38) of 100 kopecks. The gold coins are the imperial equal to 10 rubles and the half-imperial. The National Bank of Russia is the only bank of issue in the empire. This bank issues paper money denominations of 1, 3, 5, 10, 25, and 100 rubles. The gold milreis (value \$1.08) is the monetary unit of *Portugal*. The only bank of issue in *Turkey* is the Imperial Ottoman the notes of which are payable exclusively in gold. The currency of *China* is made from an alloy of copper, iron, and tin. In all large transactions, silver by weight is the medium of exchange, the Mexican dollar being used in the South and ingots called shoes, in the North. There are large numbers of private banks which issue notes upon their own authority for local circulation. The legal money of *Japan* is the yen of 100 sen. The yen is almost equal in value to our silver dollar. Trade among Japanese is carried on to a large extent by paper money issued under the authority of the government. *Mexico* has a single silver standard. The Mexican dollar (el peso) is the unit, and under the name of piaster, is the current coin of several countries in America, Asia, and Africa. There are also gold coins in circulation the smallest (1 peso) being almost equal in value to our gold dollar. The *Central American States* have bank notes but the metallic currency of these republics is largely Mexican. *Chile* is on a silver basis, so far as specie is concerned. The real medium of exchange is a depreciated paper currency. The unit is the peso equal to the 5-franc piece of France. The unit of the *Argentine Republic* is the same but of gold. The actual currency is depreciated paper fluctuating greatly in value.

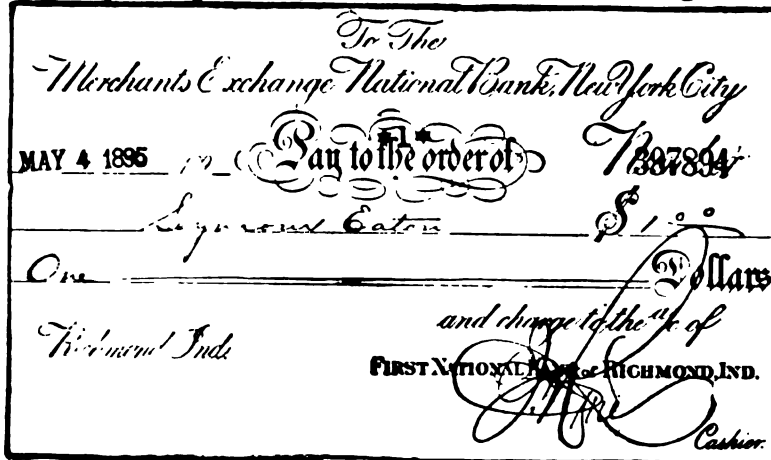
## Value in Gold of the World's Coins.

The Equivalent of One.	Sovereign.	Franc.	Mark.	Florin.		Rouble.	Escudo.	Kroner.	Milreis.		Piastre.		
				Austro-Hungarian.	Dutch.				Portuguese.	Brazilian.	Tanla.	Egypt.	Turkey
Sovereign .....	25.22	0.04	0.05	0.10	0.08	0.16	0.10	0.06	0.22	0.11	0.02	0.01	0.01
Franc .....	25.22	1.24	2.50	2.09	4.13	2.50	1.39	5.60	2.83	0.61	0.28	0.23	0.23
Mark .....	20.43	0.81	2.03	1.69	3.35	2.11	1.13	4.54	2.29	0.49	0.21	0.18	0.18
Florin, A. H. ....	12.09	0.40	0.49	0.83	1.65	1.04	0.56	2.24	1.13	0.24	0.10	0.09	0.09
Dutch .....	12.09	0.48	0.59	1.20	0.50	1.98	1.25	0.67	2.68	1.36	0.29	0.12	0.11
Rouble .....	9.70	0.39	0.48	0.96	0.80	1.53	0.84	1.36	1.68	0.15	0.06	0.16	0.16
Escudo .....	18.16	0.72	0.89	1.80	1.50	2.98	1.87	0.53	4.08	2.04	0.44	0.19	0.16
Kroner .....	4.50	0.18	0.23	0.45	0.37	0.74	0.46	0.25	0.51	0.11	0.05	0.04	0.04
Milreis, P. ....	8.81	0.35	0.44	0.88	0.74	1.46	0.92	0.49	1.97	0.51	0.21	0.91	0.08
B. ....	4.88	0.19	0.24	0.48	0.40	0.80	0.50	0.27	1.08	0.55	0.12	0.05	0.04
Dollar, U. S. A. ....	4.95	0.20	0.24	0.49	0.41	0.81	0.51	0.27	1.10	0.56	0.12	0.05	0.04
Mexico .....	5.04	0.21	0.25	0.50	0.42	0.83	0.52	0.28	1.12	0.57	0.12	0.05	0.05
A. R. ....	5.33	0.21	0.26	0.53	0.44	0.87	0.55	0.29	1.13	0.60	0.13	0.05	0.05
Chile .....	4.69	0.19	0.23	0.47	0.39	0.77	0.48	0.26	1.04	0.53	0.11	0.05	0.04
Uruguay .....	5.04	0.20	0.25	0.50	0.42	0.83	0.52	0.28	1.12	0.57	0.12	0.52	0.05
Ven. ....	5.22	0.21	0.26	0.52	0.43	0.86	0.54	0.29	1.16	0.59	0.13	0.05	0.05
Bolivia .....	5.13	0.20	0.25	0.51	0.42	0.84	0.53	0.28	1.14	0.58	0.12	0.05	0.05
Ecuador .....	4.80	0.19	0.24	0.48	0.40	0.79	0.49	0.26	1.07	0.54	0.12	0.05	0.04
Nfld. ....	4.95	0.20	0.24	0.49	0.41	0.82	0.51	0.27	1.10	0.56	0.12	0.05	0.04
P. I. ....	4.89	0.19	0.24	0.48	0.40	0.80	0.50	0.27	1.08	0.55	0.12	0.05	0.04
Yen .....	2.12	0.08	0.10	0.21	0.18	0.35	0.22	0.12	0.47	0.24	0.05	0.02	0.02
Toman .....	10.27	0.41	0.50	1.02	0.85	1.68	1.06	0.57	2.28	1.15	0.25	0.11	0.09
Rupee .....	41.68	1.65	2.04	4.13	3.45	6.83	4.25	2.29	9.25	4.64	0.96	0.43	0.38
Piastre, Tunis. ....	97.69	3.87	4.78	9.68	8.10	16.00	10.07	5.38	21.69	10.96	2.34	0.95	0.88
Egypt .....	110.71	4.39	5.42	10.98	9.16	18.15	11.42	6.10	24.60	12.44	2.66	1.13	0.88
Turkey .....													

The Equivalent of One.	Dollar.										Yen.	Toman.	Rupee.
	U. S. A.	Mexican.	Argentine Republic.	Chilian.	Uruguay.	Venezuela.	Bol. a.	Ecuador.	Newfound-land.	Philippine Islands.			
Sovereign .....	0.21	0.20	0.20	0.21	0.21	0.20	0.19	0.20	0.21	0.20	0.20	0.47	0.10
Franc .....	5.18	5.10	5.05	4.73	5.38	5.00	4.84	4.92	5.25	5.10	5.17	11.87	2.46
Mark .....	4.20	4.13	4.05	3.96	4.36	4.05	3.92	3.99	4.26	4.13	4.19	9.62	1.99
Florin, A. H. ....	2.07	2.04	2.00	1.89	2.15	2.00	1.93	1.97	2.10	2.04	2.07	4.75	0.98
Dutch .....	2.48	2.44	2.39	2.27	2.58	2.40	2.32	2.36	2.52	2.44	2.48	5.69	1.19
Rouble .....	1.25	1.23	1.21	1.14	1.30	1.21	1.17	1.19	1.27	1.23	1.25	2.87	0.59
Escudo .....	1.99	1.97	1.92	1.82	2.07	1.92	1.86	1.89	2.02	1.96	1.99	4.57	0.94
Kroner .....	3.73	3.67	3.60	3.40	3.87	3.60	3.48	3.54	3.78	3.67	3.72	8.55	1.77
Milreis, P. ....	0.93	0.91	0.89	0.84	0.96	0.89	0.86	0.88	0.94	0.91	0.92	2.12	0.40
B. ....	1.83	1.81	1.77	1.67	1.90	1.79	1.71	1.74	1.86	1.80	1.83	4.19	0.87
Dollar, U. S. A. ....	0.98	0.96	0.91	0.94	0.96	0.93	0.95	0.96	1.01	0.98	1.00	2.29	0.47
Mexico .....	1.02	0.98	0.93	1.06	0.98	0.95	0.97	0.97	1.03	1.00	1.01	2.33	0.48
A. R. ....	1.04	1.02	0.95	1.06	1.00	0.97	0.98	1.05	1.02	1.03	1.03	2.37	0.49
Chile .....	1.10	1.08	1.06	1.14	1.06	1.02	1.04	1.11	1.08	1.09	1.09	2.51	0.52
Uruguay .....	0.96	0.95	0.93	0.90	0.93	0.90	0.95	0.98	0.95	0.96	0.96	2.21	0.46
Ven. ....	1.04	1.09	1.00	0.95	1.08	0.97	0.98	1.05	1.02	1.03	1.03	2.37	0.49
Bolivia .....	1.08	1.05	1.03	0.98	1.11	1.03	1.01	1.09	1.05	1.07	1.07	2.45	0.51
Ecuador .....	1.05	1.04	1.02	0.96	1.09	1.01	0.96	1.07	1.04	1.05	1.04	2.41	0.50
Nfld. ....	0.99	0.97	0.95	0.9	1.02	0.95	0.92	0.94	0.98	0.97	0.98	2.30	0.47
P. I. ....	1.62	1.00	0.98	0.93	1.06	0.98	0.95	0.97	1.03	1.01	1.01	2.33	0.48
Yen .....	1.00	0.99	0.97	0.92	1.04	0.97	0.94	0.95	1.02	0.99	0.99	2.30	0.48
Toman .....	0.44	0.43	0.42	0.40	0.45	0.42	0.41	0.41	0.44	0.43	0.44	0.84	0.21
Rupee .....	2.11	2.08	2.04	1.93	2.19	2.04	1.97	2.00	2.14	2.08	2.10	4.84	0.95
Piastre, Tunis. ....	8.56	8.43	8.26	7.14	8.89	8.26	7.99	8.13	8.68	8.42	8.54	19.62	4.06
Egypt .....	20.07	19.83	19.37	18.32	20.83	19.37	18.73	19.06	20.06	19.74	20.06	45.99	9.56
Turkey .....	22.76	22.39	21.96	20.77	23.62	21.96	21.24	21.62	23.08	22.39	22.69	52.14	10.78

**English Money.**


Any person may take bar gold to the extent of £20,000 to the English mint and have it returned to him in sovereigns and half sovereigns. The Bank of England receives bar gold at £3 17s. 9d. per ounce and pays in gold coin. The English sovereign weighs 123.274 grains, and is a legal tender so long as it does not weigh less than 122.5. English silver and bronze coins are *flat* money, that is, their intrinsic value is materially less than their face value. The difference between the *token* value and the real or intrinsic value is called *seignorage* and this is a quite large source of revenue. English gold coins are a legal tender for any amount; silver coins are a legal tender for only forty shillings or less, and bronze coins for one shilling or less.



The gold is largely handled by bullion brokers. The Bank of England notes are very ordinary looking pieces of white paper with plain black printing, somewhat larger in size than those of the United States. The paper is specially made, is very strong, and is not easily burned. No note is paid out a second time. Every check or draft is paid in new bills. The smallest note is one pound. In sending bank notes by mail the Englishman generally cuts them in halves, takes a careful record of their marks and numbers, and sends one of the halves by registered mail, and the other by ordinary post. The illustration here given is an American check or draft bearing a close resemblance to the Bank of England note. The Scotch and Irish banks have a paper issue of their own, and there are joint-stock banks and private banks that issue bank notes. These bank notes, although they pass current, are not legal



tender. There are 255 banks in England. Of these 57 are in London. The *crossed* check so common in England is unknown in the United States. It is simply an ordinary check that has upon its face marks which signify that it must be presented through some other bank or banker; and checks of this description will not be cashed if they reach the bank upon which they are drawn by any other way. They are absolutely worthless for presentation in the hands of the wrong persons. The banks are forbidden by law to cash such a check over the counter. The receiver of such a check must necessarily deposit it. Our stamped words "Payable only through the — clearing-house when properly endorsed" have nearly the same effect. Some houses say on their bill-heads how checks are to be crossed. When the check is crossed simply by two lines it may reach the bank upon

No. 40244	May 30. 1899.	THE London and Westminster Bank	LOMBURY		Order OR BEARER	Robert Baurus
2	PAY. John Barclay & Co.			John Barclay & Co.	£10000 <sup>xx</sup>	

which it is drawn, through any bank ; when it is crossed with a bank's name, it must reach the bank upon which it is drawn through the banker whose name appears between the crossed lines. When the drawer knows the name of the payee's banker he usually inserts it ; otherwise he simply draws the lines. English banks do not certify checks. Every check must bear a penny stamp no matter for how small an amount it is drawn. The British *consols* are securities representing the consolidated debt of England ; the word *consol* being an abbreviation of consolidated. They are quoted in the financial columns of the newspapers. Here is an illustration : "*Consols are unchanged at 94 $\frac{5}{8}$  for cash and 94 $\frac{7}{8}$  for November settlement.*" The word settlement is used as we would use the word account. On the London Stock Exchange there are special settling days for securities of all sorts, including transactions in foreign exchange. By "November settlement" it is understood that the consols are to be paid for on the November settling day.

#### **Canadian Money.**

Many Americans hesitate to accept Canadian money, usually for the reason that they have difficulty in passing it and partly from ignorance of its security. The Canadian silver coins are in reality of greater value than the corresponding coins of the United States for the reason that they contain more silver. The Canadian one-dollar-bill, two-dollar-bill, and four-dollar-bill are equal in value to the very best securities offered here for the reason that they are issued by the Canadian government and are covered by actual gold and silver in the treasury. The notes issued by the Canadian banks are almost equally good, for the reason that the banks are very large institutions, many of them larger than the largest banks in the United States. The Bank of Montreal is one of the largest and strongest financial institutions in the world. It has a paid-up-in-gold capital of twelve millions and a gold surplus of six millions, and has about forty branches in the large cities and towns of the Dominion. Only two banks in New York city have a capital as great as \$5,000,000. The Canadian Bank of Commerce has as many branches. The Merchants' Bank of Canada has six millions of capital and three millions of surplus. No bank is chartered that has not a capital of at least \$500,000. There are in all about forty banks with more than 500 branches. These banks issue notes of denominations of \$5 and upwards, but the government regulations are so exacting that if a bank should fail the holders of its notes would be almost sure to

receive their full value. These banks always pay out over the counter their own bills. Under our United States system, which leaves each bank so largely dependent upon the fortunes of its locality, and the business of each locality so entirely dependent upon its local banks, it is a common thing to see mutual ruin of banks and businesses in numerous widely scattered localities, while the business of the country as a whole is sound. Such results are impossible in Canada. The widely extended system of each of the great banks, with its branches in every part of the country, constitutes a sort of financial insurance, by which each helps to guarantee the soundness of all; while the Canadian branch systems interlocking at every town leave it simply impossible that any local point of the least importance should for a moment be lacking in the most complete discount, currency, and other banking facilities, so long as the whole business of the Dominion is not involved in common ruin. The currency system is elastic and always meets the demands. Panics for fear of stringency are unknown. A run on a bank as we understand it is impossible.

#### **Note Brokers.**

Merchants sell a great many of their notes in the open market, that is, to note brokers. The banks buy these notes from the note brokers. The assistance of the broker who handles commercial paper is a necessary and valuable aid to the purchasing bank. Fully seven-eighths of all the paper purchased by New York city banks is purchased upon the simple recommendation of the note brokers. As a rule these brokers simply transfer the paper without guaranteeing by endorsement, its payment. Notes bought by banks from note brokers without their endorsement are held to be guaranteed by them to be all right, in all points, except that which covers the question of whether they will be paid or not. The bank uses its best judgment in taking the risk. If the note dealer, in selling notes to a bank, makes what he believes to be fair and honest representations regarding any particular paper, statements of such a straightforward type that upon them no charge of false pretenses can be made to rest, he simply guarantees the note genuine as to names, date, amount, etc., and that, in selling it, he conveys a good title to the paper. As business men, however, they are very cautious, and are exceedingly anxious that the paper they sell shall be paid, and as a rule they make good any losses which grow out of apparent misrepresentations on their part.

**Single-name Paper.**

The custom of issuing single-name paper has grown largely of late. The maker is the borrower, and the buyer must consider his personal credit when making the purchase. It is estimated that two-thirds of all the paper bought by New York city banks is single-name. Such paper makes no pretense to be anything else but what it appears, a simple promise to pay, and in this it differs from accommodation paper. Genuine double-name paper consists of notes given in actual payments of merchandise sales.

**Commercial Crises.**

Disturbances of the course of trade arise largely from the necessity of re-adjusting its conditions to the common standard and measure of value. The common standard of value is money, and the conditions of trade which require to be adjusted to it are the prices of commodities, and contracts and obligations of all kinds. Contracts and obligations, agreements to pay money at a future time for something presently received, form the credit system of modern commerce. Inability to meet these obligations constitutes bankruptcy, and a great multiplicity of bankruptcies occurring simultaneously constitutes a commercial crisis. If all persons were in the habit of paying immediately for everything received, there could be no debts, and consequently no failures nor panics. Those nations where the credit system has received its widest development, and where consequently the spirit of commercial adventure and speculation is most rife, are most exposed to the ravages of recurring periods of bankruptcy. Money panics are usually preceded by years of active trade, high wages, multiplication of new enterprises, and general prosperity. Each period of abnormal and exciting prosperity is followed by a violent collapse resulting in increased rates of interest, closing of factories, failures of banks and mercantile houses, and enforced idleness of large numbers of people, often resulting in extreme social disturbances. There is no remedy except in the concurrence of mankind to keep out of debt and to avoid all temptation to make gain without equivalent labor. This is impossible however. Civilization is so interlaced with the credit system that it is idle to talk of abolishing it. The interests of mankind require that it should continue, even at the cost of its abuses. There is, too, a desire for gain without labor which is legitimate. Nine-tenths of all the inventions and discoveries which have advanced mankind from the stone age

to the age of electricity have had their origin in this desire. It may be, too, that an occasional crisis is a good thing, in so much that it

Smith Bros. & Co.  
CIRCULAR LETTER OF CREDIT.  
No 324609

New York March 25. 1898

Gentlemen:

We request that you will have the goodness to furnish James Ball the bearer, whose signature is at foot, with any funds he may require to the extent of £500—(say Five Hundred pounds sterling) against his drafts upon **MESS<sup>RS</sup> SMITH BROS. & CO.**

**LONDON:** each draft must bear the number (No 324609) of this letter, and we engage that the same shall meet due honor whatever sums Mr. Ball may take up you will please endorse on the back of this circular letter, which is to continue in force till March 25. 1899 from the present date

We are respectfully, Gentlemen,

Your obedient servants

*Smith Bros & Co*

THE SIGNATURE OF

James Ball

So Messieurs  
The Bankers mentioned on  
the 2d page of this letter of Credit

shows commercial leaders by an objective lesson the influences which tend to make trade successful or disastrous.

**Letters of Credit.**

The ordinary letter of credit is the leading and usual instrument for the use of travelers in Europe and has now become such a common feature of banking that every one should be familiar with its form and purpose. We reproduce a fac simile of the first and second pages of a circular letter for £500. The first is the credit proper authorizing the various correspondents of the bank issuing it, who are named on the third and fourth pages, or any other banker to whom the letter may be presented, to pay the holder, whose signature is given on its face, money to the extent of £500. The second page shows how the holder

DATE WHEN PAID	By WHOM PAID	NAME of TOWN	Am't expressed in words	Am't in figures		
Apr. 12	Brown, Shipley & Co	Liverpool	Twenty Pounds	£	20	0 0
April 15	John Munro & Co	Paris	Sixty Pounds		60	
May 3	Deleyn & Co	Brussels	Twenty Pounds		20	
June 6	Hoch & Co	Hamburg	Twenty Pounds		20	
" 18	Edwards	Geneva	One Hundred Pounds		100	0 0
July 5	John Munro & Co	Paris	Fifty Pounds		50	
" 13	Bank of Scotland	Edinburgh	Twenty Pounds		20	
" 20	Northern Banking Co	Belfast	Twenty Five Pounds		25	0 0
" 22	Royal Bank of Dublin	Dublin	Ten Pounds		10	- -
" 25	Val. T. Bank	Cork	Five Pounds		10	- -
Aug 1	London & Westminster Bk.	London	Forty Pounds		40	- -

availed himself of the advantages of the letter. It gives the names of the banks to which he presented his letter and the amounts paid by each. With such a letter a traveler could make a trip around the world and not have in his pocket at any one time more gold or silver or bills than would be necessary to meet immediate local expenses. When a banker issues a letter of credit, the party purchasing it, and who is to use it abroad, places his signature upon a lower corner of the document in the banker's presence. Other copies of the signature are left and are forwarded to the leading foreign bankers drawn upon. When the party buying the draft presents himself at a London or Paris

bank with his letter of credit and asks for a payment upon it, the banker asks him to sign a draft on the American banker issuing the letter, for the amount required, which amount is properly entered upon the letter of credit before it is returned to the payee. Payment is usually made upon the simple identification of comparison of signatures. If a traveler should lose his letter of credit he should notify at once the banks upon and by whom it is drawn. These letters are cash anywhere. Almost any banker in the world will at any time consider it to his advantage to buy a reliable sterling draft on London. Such drafts should sell at a premium anywhere.



**The Cheque Bank.**

This is an English institution with a branch in New York city and agencies in other cities. This bank sells to its customers a book of checks each of which can be filled up only to a limited amount, as shown by printed and perforated notices appearing on the blank. For instance for £100 one can buy a check book containing fifty blank checks each good, when properly filled up, for £2. Each of these checks is really a certified check, only it is certified in advance of issue. Its payment is guaranteed by the bank rather than by the maker. Any of the thousand or more foreign banks which are agents for the Cheque Bank, sell these check books and cash the checks when presented. The Bank of England is a bankers' bank in the sense that it holds reserves of other banks, and makes those final payments of cash which close the general balance of transactions. The Cheque Bank is a bankers' bank in the opposite sense of making deposits in all other banks and employing them as agents. Although the checks are issued for limited amounts they may be drawn for any amount within the maximum value. The amounts that may be short drawn, go towards the cost of a new check book, or may be returned in cash. A form of claim for the short-drawn balances is provided on the cover of each check book. Check books are made up to suit the customers' convenience, and may be had either with checks all of the same denomination or of assorted values. Paid checks are returned when request for them is made. All checks are issued *crossed* and payable to order. This requires the endorsement of the persons to whom the checks are paid, and the further security that checks can only be cleared by passing through the hands of a banker. A peculiar feature of the Cheque Bank is that it entirely abstains from using, or even holding, the money deposited in payment of check books. This money is left to draw interest and to meet demands, in the hands of the bankers, through whom the check books are issued. These checks are being used largely by travelers instead of letters of credit. The American and other express companies have a form of check which is very similar and which is used largely by Americans traveling in Europe.

**Bank Statements.**

A bank statement is a balance-sheet of the bank's main ledger, and is sworn to by the cashier and attested by several of the directors. It is published at the time of its making in the local newspapers. The resources in such a statement usually consist of items due from other



financial institutions, bank bills and specie on hand, bonds deposited with the United States treasurer; loans and discounts, consisting of discounted notes, drafts, etc., owned and held by the bank and which are maturing and being paid from day to day; real estate, etc. The liabilities consist of the accounts due depositors and other banks; outstanding circulation of bank notes; undivided profits; surplus fund; original capital stock, etc.

### Condition of National Banks.

The statement given below is an abstract of reports made to the comptroller of the currency, showing the condition of the national banks of the United States at the close of business on a particular day. (Cents omitted.)

RESOURCES.		LIABILITIES.	
Loans and discounts.....	\$1,961,846,822	Capital stock paid in.....	\$ 662,100,100
Overdrafts.....	13,528,536	Surplus fund.....	246,180,065
U. S. bonds to secure circulation.....	195,787,200	Undivided profits, less Expenses and Taxes paid.....	88,920,238
U. S. bonds to secure deposits.....	26,405,350	National bank notes iss'd*.....	\$175,408,528
U. S. bonds on hand.....	25,115,540	Less amount on hand.....	5,653,436
Premiums on U. S. bonds.....	16,511,917		
Stocks, securities, etc.....	196,927,758	Amount outstanding.....	169,755,091
Banking house, furniture and fixtures.....	77,075,488	State bank notes outstanding.....	66,173
Other real estate and mortgages owned.....	24,193,994	Due to other National banks,	314,430,187
Due from National banks (not reserve agents).....	114,702,531	Due to State Banks and bankers.....	180,970,706
Due from State banks and bankers.....	29,273,688	Dividends unpaid.....	1,287,568
Due from approved reserve agents.....	222,467,685	Individual deposits.....	1,667,843,236
Checks and other cash items.....	12,424,519	U. S. Deposits.....	24,558,196
Exchanges for clearing-house, Bills of other National banks..	77,343,972	Deposits of U. S. disbursing officers.....	3,491,787
Fractional paper currency, nickels and cents.....	18,436,845	Notes and bills rediscounted.....	6,853,317
Lawful Money Reserve in Bank, viz.	1,002,373	Bills payable.....	13,645,026
Gold coin.....	\$120,855,575	Liabilities other than those above stated.....	3,413,741
Gold Treasury certificates..	25,400,		
Gold clearing-house cert's.	31,904,		
Silver coin, dollars.....	7,263,610		
Silver Treasury certificates..	29,550,637		
Silver coin, fractional.....	5,956,969		
Total specie.....	220,931,641		
Legal tender notes.....	113,281,622		
U. S. certificates of deposit for legal tender notes.....	31,655,000		
	365,868,263		
Five per cent. redemption fund with Treasurer.....	8,527,580		
Due from U. S. Treasurer.....	1,080,461		
Total.....	\$3,378,520,586	Total.....	\$3,378,520,586

This statement is made up from the statements of all the banks

and in character it is similar to the statement usually submitted by any one bank.

### Bank Debits and Credits.

The bank's *debits* for any day may consist of 1. Deposits—the gross amount of money received on deposit. 2. Matured Loans—notes discounted that have been paid. 3. Interest—money received for interest from all sources. 4. Exchange—money received as exchange on collections. 5. Discount—the discounts on notes and other commercial paper. 6. U. S. Treasury—remittances received in payment for notes sent for redemption. 7. Circulation—new bank notes of the bank's own issue received from the comptroller of the currency. The bank's *credits* may consist of 1. Checks—paid during the day. 2. Loans—gross amount of net proceeds of paper discounted. 3. Expense—running expenses of the bank. 4. Interest—on deposits and rebates on prepaid discounted paper. 5. Exchange—cost of collections made, charges on foreign paper, etc. 6. Dividends—paid stockholders. 7. U. S. Treasury—cash sent for new small legal tenders, etc. 8. Circulation—notes of the bank's own issue retired in any way.

### Condition of State Banks.

The following table gives the aggregate resources and liabilities of the state banks at the close of a particular year:

RESOURCES.		December 31, 189-
Loans and discounts . . . . .		\$6,993,372
Overdrafts . . . . .		10,020
Due from banks . . . . .		1,313,147
Cash on hand . . . . .		599,625
Stocks and bonds . . . . .		860,171
Banking house . . . . .		215,675
Other real estate . . . . .		76,015
Furniture and fixtures . . . . .		32,928
Bonds and mortgages . . . . .		112,799
Current expenses and taxes paid . . . . .		33,68c
Checks and other cash items . . . . .		44,323
Other assets . . . . .		18,360
Total resources . . . . .		\$10,310,130
LIABILITIES.		
Capital stock . . . . .		\$1,684,360
Surplus fund . . . . .		916,100
Undivided profits . . . . .		224,827
Dividends unpaid . . . . .		16,617
Due depositors . . . . .		7,160,010
Due to Banks . . . . .		199,904
Notes and bills re-discounted . . . . .		68,425
Bills payable . . . . .		39,000
Other liabilities . . . . .		885
Total liabilities . . . . .		\$10,310,130

**Condition of Savings Banks.**

The following table shows the aggregate resources and liabilities of the savings banks of a particular state at the beginning of 189-. The table also sets forth the character of the assets and the proportion which each kind bears to the whole:

RESOURCES.		Jan. 1, 189-
Bonds and mortgages. . . . .		\$16,803,397
United States bonds . . . . .		4,832,472
District of Columbia 3.65 bonds . . . . .		541,200
Bonds of the State of New Jersey . . . . .		17,505
Bonds of cities in this State . . . . .		4,955,738
Bonds of counties in this State . . . . .		1,299,690
Bonds of towns and townships in this State . . . . .		944,416
Bonds of boroughs and villages in this State . . . . .		152,368
Bonds of cities in other States . . . . .		290,395
Bonds of counties in other States . . . . .		15,800
Railroad bonds (first mortgage) . . . . .		5,317,393
Other bonds and stocks . . . . .		357,871
Call loans on collaterals . . . . .		978,366
Banking-house properties . . . . .		675,889
Other real estate . . . . .		447,913
Cash deposited in banks and trust companies. . . . .		1,420,221
Cash on hand . . . . .		386,400
Interest due and accrued . . . . .		524,255
Other assets. . . . .		36,463
<b>Total resources . . . . .</b>		<b>\$39,995,752</b>
LIABILITIES.		
Amount due depositors . . . . .		\$36,149,920
Other liabilities . . . . .		134,406
Surplus. . . . .		3,711,426
<b>Total liabilities . . . . .</b>		<b>\$39,995,752</b>

**The Value of Paper Offered for Discount.**

One of the most valuable parts of a banker's education is to learn whom to trust. Every bank should have a well-organized and thoroughly equipped credit department, in charge of some one who can be relied upon to investigate carefully all names referred to him by the officers. A man who desires to borrow money from a bank should offer the same confidence that he would offer if he were going to a wholesale dealer to buy goods. The merchant has a commodity to sell and he looks for facts which will aid him in determining the line of credit to be granted. The banker has money to sell and he should be doubly sure of the responsibility of the party to whom he is selling it because the money does not belong to him. A banker has the right to expect the fullest

confidence on the part of the borrower, and the borrower should furnish him with a complete and detailed statement of the condition of his affairs. It is safe to conclude that when a borrower refuses absolutely to give any information as to his financial condition, his credit is not in the most favorable condition. Many of the banks have blank forms which they from time to time ask borrowers to fill out. These statements show in detail the assets and liabilities of the firm in question; they show the notes which are outstanding, the mortgages on real estate, and many other particulars including the personal or individual credit of members of the firm, if a partnership. The total net worth of the borrower should be first considered; then the character of his business, whether it is speculative or staple; then his record and standing in the community; then his business habits; then a consideration of whether he is in enterprise abreast with modern ideas and methods. The paper offered for discount is of a variety of kinds. The larger proportion of it is from customers of the borrower who have extended their credit by paying their accounts in notes instead of in cash. Such paper is really, though having two names, very little better than single-name paper, for it is not the maker's credit, but the payee's, which the bank usually considers. Many very small notes offered for discount usually indicate a very needy condition. There are times when the character of the merchandise owned by the borrower should be considered. What would it bring under the hammer? Groceries and raw material can usually be turned into cash at a forced sale at very small discount from current prices. Not so with hardware, glass, dry goods, boots and shoes, books, etc. Machinery and fixtures are not a bankable asset upon which to base credit. The banker should note his borrower's bills payable. Why did he give notes? Are they met promptly? Many houses prefer to sell their own paper in the open market and keep their banks open for accommodations when they are unable to secure outside credit. The insurance carried should be considered, also the volume of business done. A large business on moderate capital, with long credits, will naturally have large liabilities, while a small business, with liberal capital, and short credits, should have small liabilities. There are many firms which carry two or more bank accounts and others who sell their paper to out-of-town banks. In buying paper it is important to ascertain whether the firm is in the habit of taking up paper at one bank by floating a loan at another. A prominent banker classifies paper as to its discount value as follows:

1. Bankers' paper including bills of exchange.
2. Remittance paper—

bills drawn by houses abroad on banks or correspondents in Europe. 3. Inland drawn paper—bills drawn by shippers of goods on the houses to whom the goods are shipped. 4. Brokers' paper—bills drawn by importers against commodities placed in brokers' hands for sale. 5. Trade paper—bills arising out of our manifold trades and industries. 6. Drafts with bills of lading attached. 7. Paper having personal endorsements. 8. Paper secured by collateral. 9. Individual—or one-name paper.

### Mercantile Agencies.

In large cities and towns, bankers and other business men should avail themselves of the advantages offered by mercantile agencies. These concerns report to their subscribers upon the credit of men in

\$6200 <sup>00</sup>	Portland Me., June 3, 1895
On demand after date. WE promise to pay to the order of	
The Tenth National Bank of PORTLAND	
Sixty two hundred	DOLLARS,
with interest from date, without deduction, for value received, and have delivered with this note, as collateral security,	
80 Shares, Chicago, Bur. & Quincy R.R. Co. Stock	
<small>and do agree, on demand, to deposit with the holders such additional security as they may from time to time require, and in default thereof this note shall be</small> <small>stantly become due and payable as though it had actually matured, and upon default of payment at maturity, whether such maturity occurs by expiration of time</small> <small>or default in depositing additional security as above agreed, do hereby authorize and empower the holders hereof for the purpose of liquidation of this note, and</small> <small>of all interest and costs thereon, to sell, transfer, and deliver the whole or any part of such security, or any additions thereto, or substitute therefor without any</small> <small>previous demand, advertisement or notice, either at brokers' board or public or private sale, at any time or times thereafter, with the right on the part of such</small> <small>holders to become the purchaser and absolute owner thereof, free of all trusts and claims. And it is further agreed that the securities hereby pledged, together</small> <small>with any that may be pledged hereafter, shall be applicable in like manner to secure the payment of any past or of any future obligations of the undersigned held</small> <small>by the holders of this obligation, and all such securities in their hands shall stand as one general continuing collateral security for the whole of said obligations,</small> <small>so that the deficiency on any one shall be made good from the collateral for the rest, hereby remaining responsible for any deficiency in payment, and waiving</small> <small>any benefit, exemption, or privilege under any law now or hereafter to be in force.</small>	
Due	Cash. Coin & Co.

various lines of business. They gather their information from a variety of sources. This service has been very much perfected of late years, and after making all due allowance for the inherent defects of the system, it is still a useful adjunct to the man who is giving credit. *Bradstreets* and *Dun & Co.*, are the two largest mercantile agencies in this country.

### Savings Banks.

Savings banks have no special capital owned by stockholders. Their capital is the money received on deposit, which, of course, is the property of a great many people. Every depositor is an owner in the bank, and the profit is paid to depositors in interest. This capital is invested in choice securities. The corporation is simply the agent or trustee of the whole body of depositors, and works for their account and benefit and not for its own. In most of the states, the savings

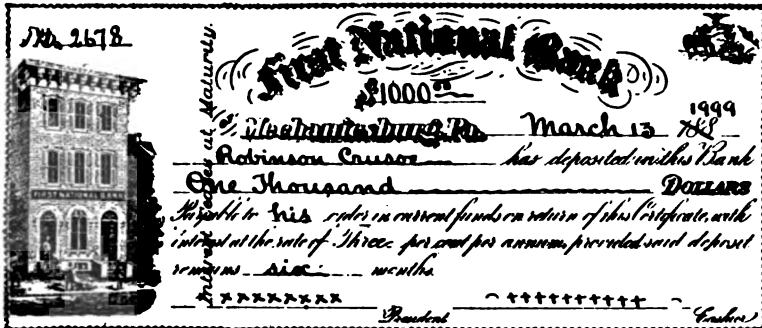
banks are organized under State laws and are in a limited way under State supervision. Their chief purpose is to encourage the saving of money by the common people. In some countries government savings banks have been established. In Canada almost every post office is a branch of the government post office savings bank.

#### **Demand Collateral Note.**

An illustration is given on page 86 of a demand collateral note. The bank loans money payable on demand and accepts, in this instance, railroad stock as security. The stock is held by the bank until the note is paid, and if not paid, the stock becomes the property of the bank.

#### **Certificate of Deposit.**

If you deposit money temporarily in a bank for safe keeping you will receive a receipt therefor. This receipt is usually called a certi-



cate of deposit. See illustrations. It often occurs that such certificate is used instead of a bank draft, in the payment of distant bills. Interest is allowed under certain conditions. It is practically a bank's check on itself. In issuing certificates of deposits to strangers the bank should take their signatures upon the margin of the certificate book, so that, when the certificates come home for redemption, the endorsement may be compared with this original signature, if it seems necessary. Of course every properly managed bank has a ledger account of certificates of deposits issued, which is a full record of the amounts and names of all certificates issued, together with their dates and numbers. Returning certificates can be compared with this record as they are presented for payment through clearing-houses and over the counter.

#### **Waiver of Demand and Notice.**

All endorsed demand notes held by a bank should start with a

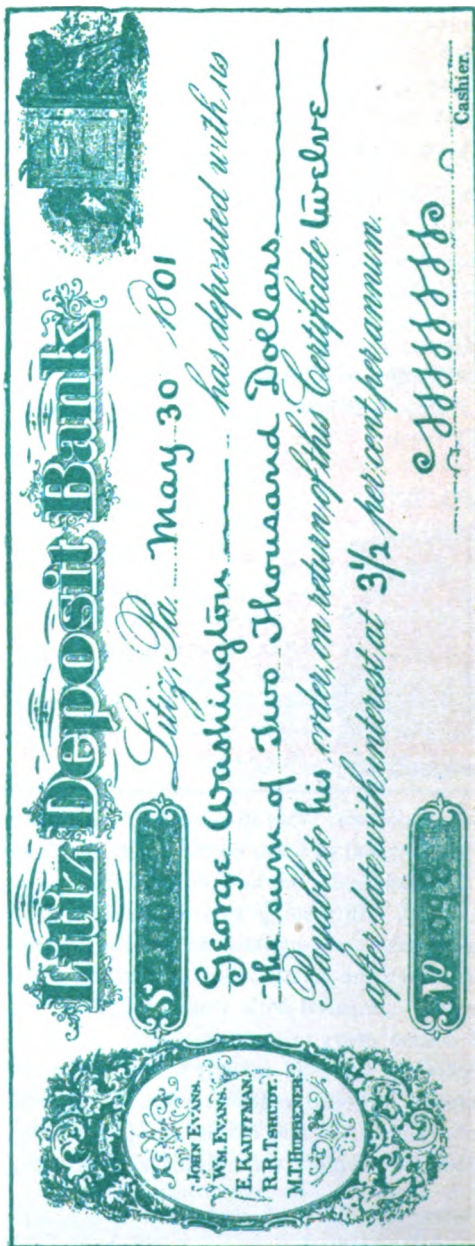
waiver of demand and notice by the endorser, since in time (in some states in 60 days) endorsers are lost—unless a demand for payment is made upon promisors—if this precaution has not been attended to.

#### Usury and its Penalty.

The laws of some of the states for collecting more than the legal rate of interest are quite severe. National banks which collect more than the legal rate can only be proceeded against under the U. S. Interest Penalty Act which provides that usury shall be punished by a forfeiture of twice the amount of interest paid, if action is commenced within two years of the time of such usurious practice, and that recovery can be had for the entire amount of interest paid at any time.

#### Bank Examinations.

National banks are examined once or twice a year by the United States Bank Examiner who has authority from the Comptroller of the



Currency to whom his reports are made. These reports are seldom if ever seen by bank officers, and unless the examiner chooses to inform them that everything is right they are none the wiser. When a National Bank becomes embarrassed it is the business of the Bank Examiner to look thoroughly into its affairs and if necessary to close its doors.

#### A Judgment Note.

Some of the states, noticeably Pennsylvania, have a form of promissory note called a judgment note. In this form of note the maker confesses judgment if the note is not paid and authorizes the court to take possession of sufficient of his property immediately to satisfy the

Lansdowne, Pa. 3/11 1899

One day \_\_\_\_\_ after date I promise to pay

to William Penn \_\_\_\_\_ as Order,

Three thousand \_\_\_\_\_ DOLLARS,

I have received, with interest, and do hereby authorize any Attorney of this County, or any other County in this State, to enter, to order and contest judgment for the above sum, with costs of suit and Attorney's commission of five per cent for collection, release of errors, and without stay of execution, and do waive the right and benefit of any law of this or any other State exempting property, real or personal, from sale, and if levy is made on land, do also waive the right and inquisition, and consent to the condemnation thereof, with full liberty to sell the same on J. C. P. with release of errors therein.

Due \_\_\_\_\_

Jonathan Edwards

amount of the claim. It is really a very severe form of contract and should be given only under the most extreme conditions.

#### Suggestions to Bank Depositors.

Don't exaggerate your financial condition. The bank has a history of it on its books. Do not borrow money to swell your deposits. Don't ask for special favors in the way of credit; good security is all the bank asks. Your intercourse with bank officers should be candid and courteous. Make your deposit as early in the day as possible. Never exchange checks to make large deposits. Never make deposits without your bank book. Avoid unnecessary conversation with the clerks. Make it an invariable rule to give checks only out of your own check book. Never give out checks dated ahead. Always consider a check paid when you give it out and mark the amount from your balance. Let all your dealings be strictly honorable.



**Exchange Terms.**

There are several terms used in connection with exchange which should be understood. *Bankers' Bills* of exchange are bills drawn by bankers on bankers. *Commercial Bills* are those based upon movements of merchandise, and drawn by merchants. *Documentary Bills* are those which are accompanied by bills of lading. Normal exchange rates are those quoted in newspapers; there are lower or *inside* rates which are made to brokers through whom most of the buying and selling is done.

**Collection Laws.**

An *attachment* is a writ issued at the commencement of, or during a suit at law in court, commanding the sheriff, or other proper officer, to attach the property of the defendant, to satisfy the demands of the plaintiff. The property of corporations may be attached as well as that of individuals. By this process the plaintiff gains a lien on the attached property, which lien will await the judgment of the court in the suit. In many of the states the defendant may dissolve the attachment by giving a bond, with sureties, that he will pay such judgment as the plaintiff may obtain in the suit. A suit is ended by the court's giving a final *judgment*, either for the plaintiff or for the defendant, at the same time fixing the amount in dispute, if judgment is for the plaintiff. *Execution* is the act of carrying into effect the final judgment of a court. If property of any kind is sold under execution, the proceeds go to satisfy the judgment and any costs or charges; and then, if there is any surplus, it belongs to the defendant. By the *homestead* and *exemption* laws of many states, certain kinds and amounts of property are exempted from attachment and sale on execution. By *garnishment* or *trustee process* is meant the attaching of money or goods, due a defendant, in the hands of a third person. By *exemption* is meant the right given by law to a debtor to retain a portion of his property free from a sale on execution at the suit of a creditor.

### EXAMINATION QUESTIONS.

1. Give some particulars in which the Bank of England differs from our larger National Banks.

2. Enumerate some of the advantages afforded to the community and to commerce in general by banking institutions.

3. What in a general sense is meant when we speak of the *currency* of a country? Is the same thing meant when we speak of the *cash circulation* of a country?

4. Tell how you would proceed to open an account with a bank. Make a copy of a deposit ticket containing a record of bills, gold, silver, checks, and an express money order.

5. Give in brief the duties of each of the following bank officers: president, cashier, paying teller, receiving teller, discount clerk, book-keeper, attorney, messenger.

6. A bank check is a demand order for money, drawn by one who has funds in the bank. How does a check differ from an order on John Smith to pay *bearer* a certain sum of money?

7. How does a check differ from a sight draft?

8. Why is it important that blank checks should be very carefully written up? Illustrate.

9. A check has no date. Does this make it void? How about a check dated months ago? Is a check dated on Sunday good? How about a note? Why are checks sometimes dated ahead? Is it necessary that your check be written on the prescribed blank form? Are you at liberty to print your own form of check?

10. Write out in full in the form of a business letter the check which you find on page 15.

11. How would you write a check for 75 cents?

12. Describe some of the common safety devices for protecting checks against fraudulent persons.

13. You present a check for payment at a bank where you are unknown. The paying teller asks for a satisfactory identification. You and he have no common acquaintance who can identify you. How would you proceed to show that you were really the person you represent yourself to be?

14. How would you word a check to give to a person who is unknown at your bank but who wishes to draw the money over the counter?

15. You are sending a check through the mails to John Brown, Chicago. How will you prevent the check from falling into the hands of the wrong Brown?

16. You are spending a few days with a business friend in his city. You receive a check for \$100 and wish to get it cashed. How can your friend secure for you the prompt payment of the money at his bank if he is unable to go with you for the purpose of identification?

17. You identify A. B. at your bank. The check A. B. presented turns out to be a forgery. Are you responsible?

18. You receive a forged check from A. B. which you in good faith endorse and get cashed. The bank finds out that it is a forgery. Can they hold you responsible?

19. A. B. transfers a check to you by a blank endorsement. It is then payable to bearer. How can you legally make it payable to your order?

20. A. B. gives C. D. a check drawn to his order. C. D. endorses it: "*For Deposit, C. D.*" He afterwards hands it to E. F. in payment of a bill. Can E. F. cross out the "*For Deposit?*"

21. How will you write a check to draw money from your own account?

22. You are treasurer of Bethany Church. You receive a check drawn payable to the order of "*Bethany Church.*" How should you endorse the check?

23. What is meant by power-of-attorney? How should an attorney endorse checks for any person for whom he is acting?

24. The words "endorsement guaranteed" are sometimes found stamped on the back of cancelled checks. What is meant?

25. You are buying a draft on New York and are paying for it at your own bank by your check: how will you word the check?

26. A check which you deposited some days previously, is returned to you marked "No funds." Explain. What would you do in such a case?

27. How can the payment of a check be stopped?

28. What is a *certified check*? Note the illustration on page 22. Why is it made payable through the clearing-house? When is it customary to get checks certified?

29. Why are bank drafts more acceptable in trade than individual checks?

30. What are the advantages and what the disadvantages of making collections by commercial drafts?

31. A of Philadelphia draws at 30 days on B of Lynn in favor of C of Boston. Follow the draft from the time it leaves A's hands until B files it away as a note which he has paid.

32. "In this city *call loans* are quoted at 3 @ 4 per cent. and *time paper* at  $3\frac{1}{2}$  @ 6 per cent. In New York the quotation for *time money on collateral* is 1 @ 3 per cent. for *all dates*; for *commercial paper* 3 @  $5\frac{1}{2}$  per cent."

Explain the meaning, in a commercial sense, of the phrases printed in italics.

33. "Commercial paper is in good demand by all the *usual buyers*, but the scrutiny of the names is very rigid, for, with the low rates ruling, buyers do not care to take the risk of failure to meet the notes at maturity."

Who are the usual buyers? Why is the scrutiny of the names rigid? What risk do buyers take and under what circumstances are they obliged to meet the notes at maturity?

34. If a note were about to be transferred to you by endorsement and delivery in payment of a debt, would it make any difference to you whether or not it was overdue? Explain in full.

35. What are the advantages to the banks of a city of their central clearing-house?

36. Show how all the banks of the world are connected through the clearing-house system. Illustrate by showing how a draft on a merchant in York, England, would be collected by a manufacturer in Elgin, Ill.

37. I find the number 27 stamped in large figures on the face of a cancelled check. What does it mean?

38. How do state and national banks differ as to their organization? How do banks differ from trust companies?

39. To what do bankers give the name *kiting*?

40. Who is liable when a forged check has been paid?

41. What is standard gold worth an ounce? What is the weight of a \$20 gold piece?

42. Describe in detail the various kinds of United States bills which pass as cash. How do these bills differ from promissory notes?

43. A bank note is very much mutilated and fully three-tenths of it is gone entirely. It, however, shows the name of the bank and the signature of one of its officers. Will it be paid in full?

44. Distinguish between *discounting* and *buying* paper as these terms are used by bankers.

45. A national bank has a capital of \$500,000. A customer asks for a loan of \$62,000 on endorsed paper. Can the bank legally grant the loan?

46. A national bank has \$6,000 on deposit with the United States treasurer for 146 days, drawing interest at 3 per cent. How much in interest should be paid? (Ans. \$72).

47. What is meant by borrowing money on *collaterals*? How is this done?

48. Explain the meaning of *negotiable*.

49. Explain how a non-negotiable promissory note should be worded.

50. A note is drawn March 1, at 4 months after date. When will it mature if in New York? When in Philadelphia?

51. A. B. gives C. D. a note in which he promises to pay a bill of \$200 in potatoes at market value. Is such a note negotiable? Is it a good contract?

52. A. B. wishes to borrow credit from C. D. in the form of an accommodation note. How should such a note be worded? Why should C. D. be the payee if A. B. does not owe him anything?

53. A steals a horse from B and sells it to C. B finds the horse in C's field and takes it. If it were a promissory note instead of a horse, would C have a good title to it?

54. If an endorser is compelled to pay a note against whom has he a good claim?

55. A note is drawn payable to the order of A. B. How can A. B. transfer it without becoming liable for its payment?

**56.** Why and how are notes protested? Why is a formal protest sometimes desired even though the paper bears no endorsements?

**57.** Tell how you would receipt for a payment on a note. Why is not an ordinary separate receipt sufficient?

**58.** A note is worded "*I promise to pay*" and is signed by two persons. Is either responsible for the whole amount or for only one-half the amount?

**59.** Write out in full in the form of a business letter the commercial draft which you find on page 32.

**60.** A sight draft for \$200 is presented for payment by a bank messenger at your office. You have money on deposit but have not \$200 in bills convenient. The messenger will not take your uncertified check. How can you meet the conditions?

**61.** Dombey & Son give David Copperfield a check on the National State Bank of Camden, N. J., for \$27.13. Copperfield transfers the check to you by endorsement and you endorse it for deposit. Make a copy of both sides of the check.

**62.** On Monday morning you have cash \$94.27 in your cash drawer, and the balance in your bank to your credit is \$496.25. During the day you receive bills and silver \$537.46, and a check for \$94.59, and you pay out in cash (bills and silver) \$243.18. You deposit \$219.83, and you issue three checks (\$29.13; \$14.85; \$46.17) in payment of bills. On Tuesday morning you deposit all the cash on hand. What should your bank balance be then?

**63.** How are out-of-town notes collected? When would you consider it wise and when unwise to take a note in settlement of an account? How would you proceed to get a note discounted at your bank?

**64.** How would you endorse a check in your favor upon the face of which your name is written incorrectly?

**65.** Chas. James owes you \$320. He is considered a *bad pay* but he has property. Would it be advisable to get a note from him in settlement?

**66.** What are the advantages, if any, of holding a note already matured rather than in taking a renewal?

**67.** Who should pay the protest fee of protested paper?

68. Is it a criminal offence (1) to draw a check for more money than you have on deposit, (2) to draw a check on a bank where you have no money on deposit?

69. If there are no endorsers, is an unpaid note as good after maturity as before?

70. Is there any limit to the number of endorsers on a note?

71. What would be the effect upon foreign exchange quotations under each of the following conditions:

1. Very large importations of foreign goods.
2. Discovery of very productive gold mines in the United States.
3. American goods or products not wanted abroad.
4. American securities in great demand abroad.
5. Export trade entirely by American ship-owners.
6. Rates of interest lower here than in Europe.
7. Large numbers of Americans traveling in Europe.
8. Heavy interest payments on securities owned abroad.
9. Gold carried free by all shippers.
10. Cost of shipping gold very much increased.

72. Contrast the Canadian banking system with that of the United States, pointing out some of the advantages of each.

73. Explain briefly the meaning or purpose of "instruments of credit," "safe-deposit vaults," "fidelity insurance," "seignorage," "sterling exchange," "letter of credit," "fiat money," "clearing-house certificate," "duplicate bills of exchange," "a bank's correspondents."

74. The following is a complete list of the items appearing in a National Bank's weekly report:

Loans and discounts, \$3,320,699. Capital stock paid in, \$500,000. Individual deposits, \$3,015,485. Undivided profits, \$———. Overdrafts, \$5,216. United States bonds to secure circulation, \$152,500. United States bonds on hand, \$126,650. Premiums on United States bonds accrued, \$9,695. Surplus fund, \$125,000. National bank notes issued, \$135,485. National bank notes (own issue) on hand, \$14,625. Securities on hand, \$304,206. Banking house furniture, \$12,608. Mortgages owned, \$1,984. Due from other banks, \$905,168. Checks on hand, \$18,427. Exchanges for clearing-house on hand, \$49,895. Bills of other national banks on hand, \$13,695. Fractional currency on hand, \$984. Due to other national banks, \$1,269,800. Dividends unpaid, \$1,176. United States deposits (with us), \$114,697. Gold coin on hand, \$188,402. Gold treasury certificates on hand, \$121,275. Silver dollars on hand, \$1,800. Clearing-house certificates on hand, \$5,000. Silver treasury certificates on hand, \$53,648. Legal tender notes on hand, \$470,416. Five per cent. redemption fund with United States Treasurer, \$6,695.

Make a neat copy of these items, separating them into resources and liabilities, and showing the correct "undivided profits."

**75.** Tell how it is possible for a young man of good character but without "moneyed" friends to secure bonds for his faithful conduct in a responsible position.

**76.** How does Canadian paper money differ in its security from American paper money?

**77.** Give the general dating and credit rules which custom has established with reference to selling on credit and paying monthly bills.

**78.** A man buys goods on March 23, and is to be allowed a discount of 3 per cent. if paid within 30 days. What is the last day upon which payment can be made and the discount claimed?

**79.** What is the usual method of endorsing drafts placed in a bank for collection?

**80.** "*No protest; tear off this before presenting.*" Explain.

**81.** Why are drafts attached to bills of lading usually drawn at sight or at one day?

**82.** Explain what is meant by a *set-off* to a claim.

**83.** In what leading particulars do promissory notes differ from contracts?

**84.** What in money is considered *legal tender*?

**85.** Can you give any reason why it is necessary in clearing-house management to have rules more exacting than in the management of ordinary business?

**86.** A new national bank has been established in a large city. Can the clearing-house of that city refuse to admit it to membership?

**87.** A young friend wishes to open a bank account. He has had no business experience, and writes to you for advice. Answer his letter fully.

**88.** What are the advantages, if any, of making your notes payable at your own bank? Are there any disadvantages?

**89.** When rates are high, bankers prefer to deal in long-time paper. Why?

**90.** John Smith deposited \$3,000 on Jan. 2, 1886, in the First



National Bank to the credit of his son. His son demands the money Jan. 2, 1897. Can he demand interest?

91. Give a few of the leading differences in organization and management between trust companies and banks.

92. A is a debtor to B. B wishes to know the extent of A's bank account. Can he get the information?

93. Give some particulars of the currency famine of 1893. Was there less money in the country than usual? To what extent was the emergency currency issued by many mercantile houses illegal?

94. Discuss fully the advantages of the extensive credit system of the world's trade and industry. Has it any important disadvantages?

95. Why are bills of exchange drawn in duplicate?

96. "The imports and exports of bullion is the real test of exchange." Verify the truth of this statement by added explanation.

97. "A favorable *real* exchange operates as a duty on exportation, and as a bounty on importation." Explain.

98. Is the "balance of trade" the same as the "balance of indebtedness"?

99. Enumerate conditions which will make an exchange expense on a large draft on San Francisco bought in New York.

100. Find the cost of freight and insurance on a shipment from New York to London of a million dollars.

101. Account for the fact that London is the financial center of the world.

102. What is meant by the *Latin Union* in the world's financial systems?

103. Describe the money of Great Britain.

104. How do Canadian \$4-bills differ from Canadian \$5-bills in the matter of security?

105. Name the largest bank (1) in Europe, (2) in North America.

106. Where is the *Chemical National Bank* located? Account for the fact that its stock sells at such an enormous figure.

107. A run on a bank such as is not infrequent in the United States is unknown under the Canadian banking system. Account for this.

**108.** Describe the *crossed check* as used in England. Have we the same idea in any other form in this country?

**109.** In a London paper a certain stock is quoted at a certain price for "May settlement." What is meant by "May settlement"?

**110.** Explain in detail the business of a note broker giving some particulars of his responsibility in connection with the paper handled.

**111.** Distinguish between what is known as *single-name* and as *double-name* paper.

**112.** Account in some measure for the constantly recurring seasons of financial depression.

**113.** Describe fully the plan and purpose of a letter of credit. Name a few of the leading American banking houses which issue such letters.

**114.** Enumerate the leading items of resource and liability in a national bank statement.

**115.** A bank receives from the comptroller of the treasury \$100,000 in new bank notes of its own issue. What ledger entry?

**116.** A bank retires \$10,000 of its own bank notes. What entry?

**117.** Discuss fully the points which should enter into a proper estimate of the value of paper offered for discount.

**118.** To whom does the surplus fund of a savings bank belong?

**119.** Name two leading mercantile agencies. In what way do they serve business houses? Tell something of their methods.

**120.** Describe the form and use of a certificate of deposit. How does it differ from a bank draft?





## **Stocks, Bonds, and other Securities.**

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### **The Stock Exchange.**

The general public too often regard the stock exchange merely as a noisy congregation of brokers who gamble in the securities of governments and corporations, under the guise of legitimate business. A deeper insight, however, into the character and functions of these institutions will admit the important part which they play in the financial mechanism of the country. The exchanges of the world are instruments of enormous economic value in subdividing and distributing capital and in directing its employment in great commercial and industrial enterprises. When the Wall street man goes down to his office his first inquiry is for the two-o'clock prices on the stock exchange of London, which are received before ten o'clock in New York. The quotations of American stocks, with the accompanying price of consols and the Bank of England rate, give him the financial condition abroad translated into figures by the keenest financiers. New York has no more entertaining public exhibition than its Stock Exchange. The visitor who, for the first time, looks down from a gallery upon its members in the act of transacting business, is astonished at the turmoil and confusion he witnesses. There is no reason why bonds and shares should not be publicly dealt in, and in large quantities, as well as dry goods, corn, or cotton. But, unfortunately, few stock exchanges confine their transactions to ordinary legitimate business. The members are divided into two classes—those who execute commissions for others, and those who deal on their own account. Among the latter are the

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boldest and sharpest speculators of the day. You will look in vain in the quotations for the stock of dozens of corporations whose securities are among the choicest investments. It is upon fluctuations that stock speculation grows strong, and the largest profits are often made on the poorest stocks. In London, Paris, Berlin, Vienna, and New York there are very large private banking institutions which buy and sell bonds and stocks on the stock exchanges of the world on commission. These great financial institutions negotiate loans for governments and great corporations and are the intermediaries in all the great movements of capital from one country to another. The London Stock Exchange has scarcely more than one hundred years of history. In the early part of the century the elder Rothschild was one of the giants "on 'change," and it was in this business that he amassed the great fortune which makes the name of his house synonymous with money power. The London Stock Exchange occupies an old dingy building on Capel Court close to the Bank of England. The membership is not limited to a fixed number as in Paris and New York. One of the marked peculiarities of the Stock Exchange of London is the distinction between those who act as agents for the public, and who are technically called *brokers*, and those who do business on their own account and are described as *dealers* or *jobbers*. In the Paris *Bourse* all agents are strictly forbidden to trade on their own account. The New York members who operate on their own account are called *room-traders* or *scalpers*, whose profits or losses consist in quick turns made during the day. They endeavor to detect immediate monetary influences without considering the ultimate tendency of prices. Nominally the stock exchanges guard public interest in declining to admit to their regular quotations the stocks of questionable enterprises. Before any shares, bonds, or debentures can be quoted in the official lists, application must be made in behalf of such issues and their bona fide character must be established. The membership of the New York Stock Exchange is limited to about 1,100 and seats becoming vacant by retiring members bring prices all the way from \$20,000 to \$50,000 each. Stocks and bonds sold in the *regular way* are deliverable to the buyer during exchange hours on the following day. Transactions are quickly collected and rapidly reported to the outside world. In hundreds of offices in New York City and in other American cities can be seen a little instrument called a *ticker* which automatically prints abbreviated names of stocks, with their prices, on a narrow ribbon of paper. These *tickers* are rented to these offices, as are telephones by New York telegraph

companies, and as fast as the sales are made the quotations are ticked off in thousands of offices in all parts of the United States. There are many exchange institutions in the country. Nearly every large city has its stock exchange, and scattered in trade centers are cotton exchanges, produce exchanges, petroleum exchanges, mining exchanges, etc.

#### **Technical Terms of Stock Exchanges.**

The term *bull* is applied to those who are purchasers of stock for long account, with the purpose of advancing prices as the tendency of a bull is to elevate everything within his reach. The term *bear* is applied to those who sell stock short, with the purpose of depreciating values. The *bear* operates for a decline in prices. To buy one stock and sell another with the expectation that the one bought will advance and the one sold will decline, is a *hedge*. The broker's charge for his services is called a *commission*, which in the New York Stock Exchange is one-eighth of one per cent. each way on the par value of the security purchased or sold. A *point* means one per cent. on the par value of a stock or bond. *Stock privileges* or *puts and calls* are extensively dealt in abroad and to some extent here. A *put* is an agreement in the form of a written or printed contract filled out to suit the case, whereby the signer of it agrees to accept upon one day's notice, except on the day of expiration, a certain number of shares of a given stock at a stipulated price. A *call* is the reverse of a *put*, giving its owner the right to demand the stock under the same conditions. A *put* may serve as an insurance to an investor against a radical decline in the value of stocks he owns; a *call* may be purchased by a man whose property is not immediately available, but who may desire to be placed in a position to procure the shares at the *call* price, if they are not below that in the open market when he secures the necessary funds. The speculator usually trades on *margins*. If he has \$500 to invest he buys \$5,000 worth of stock, his \$500 being ten per cent. of the total amount. He expects to sell again before the remaining amount falls due. The *margin* is usually placed by the speculator in the hands of a broker as a guaranty against loss. Although these brokers are really agents for others, yet *on 'change* they stand in the mutual relationship of principals. A *margin* is merely a partial payment, but a broker buying stock for a client on *margin* is compelled to wholly pay for it. If he has not the necessary capital his usual custom is to borrow from banks or money-lenders, pledging the stock as collateral security. In foreign exchanges the element of credit enters more largely into the conduct of

business. Where the credit of the client in London is established, his broker does not, ordinarily, call on him for any cash until the next "settlement day." There are a variety of methods of securing what is called a *corner*, that is, a controlling interest in marketable stocks which others are compelled, owing to previously made contracts, to buy. A *syndicate* is a party of capitalists who unite their resources to accomplish some financial object, such as the purchase of a property, a public loan, an issue of bonds or stocks, or any other undertaking requiring large capital. A *pool* is in some respects similar to a syndicate. The funds of individuals are put into a common undertaking with a view of manipulating particular securities and dividing the profits. It flavors of speculation if not of gambling. A *boom* is an expansion of credit and a large inflation of value. A *panic* is an unusual fright among speculators which reduces prices and causes a general collapse of credit. A small *boom* is called a *flurry*. The rules of the exchanges of New York forbid trading after closing hours, but in times of great financial excitement business overflows into the streets and hotels and is called trading *on the curb*. A *wash sale* is a fictitious transaction made by two members acting in collusion, for the purpose of swelling the volume of apparent business in a security, and thus giving a false impression of its value. Stocks sell *dividend-on* between the time the dividend is declared and the day the books of the company close for transfer; after that they sell *ex-dividend*, in which case the dividend does not go to the buyer. When a company decides not to declare a dividend it is said to *pass its dividend*. To sell stock *buyer 3* is to give the buyer the privilege of taking it on the day of purchase, or on any of the three following days, without interest; and to sell stock *seller 3* is to give the seller the privilege of delivering it on the day of purchase, or on any one of the three following days, without interest. *Buyer 3* is a little lower, and *seller 3* a little higher than *regular way* when the market is in a normal condition. *Bucket-shops* are establishments conducted nominally for the transaction of a stock-exchange business, but really for the registration of bets or wagers, usually for small amounts, on the rise or fall of the prices of stocks, there being no transfer or delivery of the commodities nominally dealt in. There are thousands of these counterfeit concerns throughout the country conducted without any regard for legitimate commercial enterprises.

#### **Brokers.**

Brokers are persons employed as middlemen to transact business

or negotiate bargains between different merchants or individuals. There are bill or exchange brokers who buy and sell foreign bills; note brokers who deal in promissory notes; stock brokers who buy and sell stocks



for others; ship brokers who buy and sell cargoes in transit or upon arrival; insurance brokers who are middlemen between the insurance companies and the insured; custom house brokers who act for mer-



chants in getting consignments through the custom house ; and brokers in cattle ; in dry goods ; in coffee ; in cotton ; in drugs ; in flour ; in grain ; in hides ; in oil ; in real estate ; in sugar ; in tobacco ; in wool ; in everything or anything that is bought or sold in large quantities. By attending to one class of business constantly they acquire a more intimate knowledge of its various details, of the houses from which to buy, of the best market for sales, and of the credit of those engaged in it, than could possibly be expected of a general merchant. The large manufacturers living outside of the great centers find it to their advantage to engage brokers to buy their raw material for them, so we find that each broker has his regular customers, and for a small commission he goes into the market and buys or sells as carefully as though he were spending his own money. It is to these circumstances—to a sense of the advantages to be derived from using brokers in the transaction of business—that they are so extensively employed in New York, Chicago, London, and other great cities. In France the brokers are called *agents de change*, and their number in Paris is limited to sixty. They are severally obliged to give bonds for the prevention of abuses, and are not allowed to charge more than a fixed rate of commission.

#### **Stock Companies.**

To organize a stock company it is necessary for a number of persons to come together and make a certificate to the effect that they propose to form a company to bear a certain name, for the purpose of transacting a certain kind of business at a certain place. The certificate states that they propose to issue a certain number of shares of stock at a certain price per share, that the capital stock is to be a certain amount, and that the company is to continue to exist for a definite period of time. Blank forms for such certificate are supplied by the secretary of the state where the company is being organized and when properly filled out, signed, and delivered to him, he issues a license or charter to the persons making such certificate, giving them permission to open books, sell stock, and carry on the enterprise outlined. State laws regarding stock companies differ very largely.

#### **Shares of Stock.**

The usual par value of a share of stock is \$100. That is, if a company organize with a capital of \$50,000, they will have 500 shares to sell. Each person who buys or subscribes for the stock, that is, who joins the company, receives a *certificate of stock*. See illustrations.

These certificates are transferable at the pleasure of the owners. The transfer is made by a form of endorsement on the back of the certificate. The men subscribing in this way become responsible for the good management of the business, and are obliged to act according to the laws of the state in which the company is organized. Usually they are responsible individually for the liabilities if the concern should become bankrupt. Every person who subscribes owns a part of the business and is called a *shareholder*. All the shareholders must meet together, and out of their number they choose a certain number of directors. The directors choose a president and other necessary officers and fix the amount of salary which shall be paid such officers for their work. As a rule directors have no salaries attached to their positions. A regular meeting of all the shareholders is held at least once a year to elect the directors and hear the reports of the officers. It is necessary to file a statement of resources and liabilities each year with the State Secretary.

**Capital Stock Increased.**

The capital stock of a concern may be increased or diminished by a vote of the majority of the stockholders representing a majority of the stock.

**Preferred Stock.**

The preferred stock of a corporation is given to secure some obligation of the company and upon it dividends are declared in preference to common stock. That is to say, if a man holds a share of preferred stock he will receive interest thereon out of the profits of the business before such profits are given in the form of dividends to shareholders generally.

**Dividends.**

The directors of a company after paying the expenses and laying by a certain amount for contingencies, divide the profits among the shareholders. These profits are called dividends, and in well managed companies the dividends which are declared quarterly, semi-annually, or annually usually amount to good interest on the shareholder's investment.

**Surplus Fund.**

It is not customary to pay a larger dividend than good interest on the investment. In some states some classes of corporations are not







permitted to declare dividends larger than a fixed amount. The profits remaining after expenses and dividends are paid are credited to what is called a *surplus fund*. This fund is the property of the shareholders and is usually invested in good securities.

#### **Treasury Stock.**

It often occurs that a new company finds it necessary to set aside a certain number of shares to be sold from time to time to secure working capital. Such stock is held in the treasury until it is needed and is called *treasury stock*.

#### **Guaranteed Stock.**

When a stock is issued, upon

which a certain dividend is guaranteed it is called *guaranteed stock*.

#### **Watered Stock.**

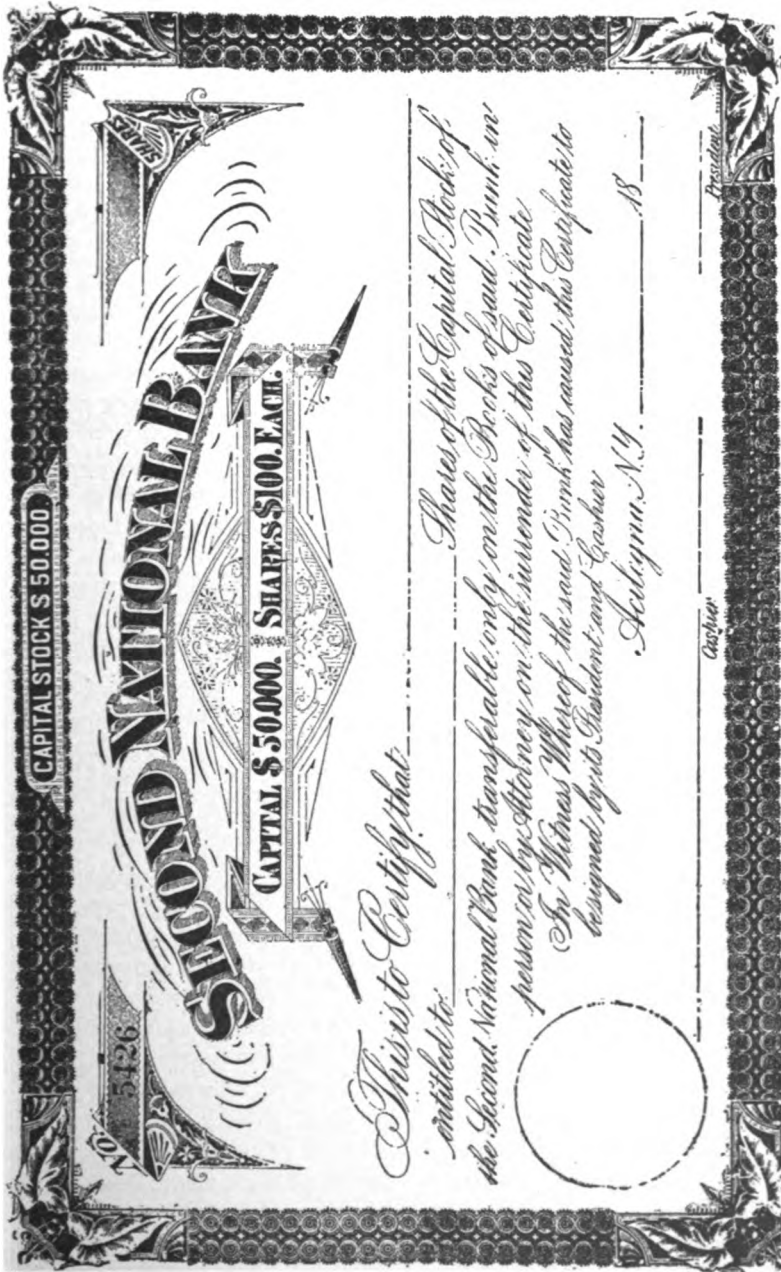
When stock is issued to the shareholders without increase of actual capital the stock is said to have been *watered*. A company may organize for say \$5,000 and may want to increase to \$50,000 without adding to the number of its shareholders. Each holder of *one* share will in this instance receive *nine* new shares, and in future instead of receiving a dividend on one share he will receive a dividend on ten shares.

#### **Limited Liability Companies.**

When the name *Limited* is affixed to a stock company's name, it signifies that each shareholder is individually liable to the creditors of the company for only the amount representing the value of the shares held by him. When the word *Limited* is not attached, it is understood that it is a *full* liability company in which each shareholder is individually liable to the creditors of the company. If a man should buy five shares in a *limited company* and the company should fail, for say \$20,000, the creditors could compel him to pay only the amount subscribed, namely \$500. In ordinary companies he could be compelled to pay the entire indebtedness if the amount could not be secured from the shareholders generally. Understand clearly that the name *Limited* printed after the name of a company, and which is required there by law, does not indicate in any way that the capital or credit of the company is limited.

#### **Sale of Stock.**

Stock is usually sold on certain explicit conditions, such as the paying of ten per cent. down and the balance at stated intervals. If the conditions which are agreed to by the shareholder are not met his stock is declared forfeited, or he can be sued in the same manner as upon any other contract. Some companies organize with the understanding that a certain percentage of the nominal value of the shares is to be paid at the time of subscribing, and that future payments are to be made at such times and in such amounts as the company may require. Under these conditions the stockholders are assessed whenever money is needed to pay the company's expenses. Such assessments are uniform on all stockholders.



**Corporations.**

A corporation is a body consisting usually of several persons, empowered by law to act as one individual, and continued by a succession of members. Public corporations are those which are created exclusively for the public interest, as cities, towns, counties, state universities, hospitals, etc. Private corporations are created wholly or in part for the private emolument of the members, as railroad companies, banks, manufacturing companies, etc. Corporate bodies whose members at discretion fill by appointment all vacancies occurring in their membership, are sometimes called close corporations. In the United States the power to be a corporation is a franchise which can only exist through the legislature. There are two distinct methods in which corporations may be called into being: first, by a specific grant of the franchise to the members; and second, by a general grant, which becomes operative in favor of particular persons when they organize for the purpose of availing themselves of its provisions. When the specific grant is made, it is called a *charter*: it specifies the grantees, indicates the purpose to be subserved by the corporation, and the powers and privileges it shall possess to that end, perhaps imposes special liabilities and penalties for abuse, and makes provision for perpetual succession of members by a transfer of interests, or by elections or appointments to fill vacancies. In the case of private corporations the charter must be accepted by the members, since corporate powers cannot be forced upon them against their will; but the charter is sufficiently accepted by their acting under it. Public corporations, on the other hand, may be organized at the legislative discretion, without consulting the pleasure of the people incorporated. When special charters are not granted, a general law is passed, under which individuals may voluntarily associate, and, by complying with the provisions of the law, take to their organization corporate powers. In some of the states private corporations are not suffered to be created otherwise than under general laws, and in others, public corporations are created in the same way. A corporation must have a name, by which it shall be known in law and in the transaction of its business. The name is given to it in its charter or articles of association, and must be adhered to, though doubtless a corporation might render itself liable on engagements assumed in another name which it had used as its own, and it is possible for a corporation to have two names, as has sometimes been the case with municipal bodies, which are permitted to make contracts or bring suits in one name for one purpose, and in another name for an-







other. In municipal corporations in the United States the members are the citizens; the number is indefinite; one ceases to be a member when he moves from the town or city, while every new resident becomes a member when by law he becomes entitled to the privileges of local citizenship. In corporations created for the emolument of their members, interests are represented by shares, which may be transferred by their owners, and the assignee becomes entitled to the rights of membership when the transfer is recorded; and if the owner dies, his personal representative becomes a member for the time being. In such corporations also, shares may be sold in satisfaction of debts against their owners. The necessity for the use of the corporate name in the transaction of business, flows from the fact that, in corporate affairs, the law knows the corporation as an individual, and takes no notice of the constituent members. It was formerly supposed that a corporation could transact no business except under its corporate seal; but now it is only in the execution of solemn instruments, such as deeds, bonds, mortgages, etc., that the seal is commonly used. Most of the business of a corporation is necessarily carried on with as little formality as if transacted by an individual. The laws which corporations may make for their own government are made under the several heads of by-laws, ordinances, rules and regulations; and they are made by the governing body for any object not foreign to the corporate purposes. A municipal corporation, for example, makes ordinances for the cleaning and lighting of its streets, for the government of its police force, for the beautifying and regulation of its parks, for the supply of water to its citizens, and for the punishment of all breaches of its regulations. A railway corporation establishes regulations for signals, for the running of trains, for freight connections, for the conduct of its passengers, and for hundreds of other things. But such by-laws and regulations must be in harmony with the charter of the corporation and with the general law of the land. For instance, a municipal corporation could not enforce a by-law forbidding the use of its streets by others than its own citizens, because by general law all highways are open to the common use of all the people. Again, a railway corporation could not make a rule that it would carry goods for one class of persons only, because, as a common carrier the law requires that it carry impartially for all. A railway company may properly and justly require every passenger to remain upon the car until it is brought to a stand, because prudence and safety require this; but a regulation that no one shall leave his seat after taking it until he leaves it to pass from the car would have no such

ORGANIZED UNDER THE LAWS OF THE STATE OF PENNSYLVANIA.

**THE HARRISBURG**

**VENTILATED BARREL COMPANY**

SHARES \$ 50 EACH.

CAPITAL \$ 37,500.

No. \_\_\_\_\_

Shares of the Capital Stock of  
The Harrisburg Ventilated Barrel Company, transferable only on the Books of the Company in person or  
by Attorney on the surrender of this Certificate

Witness the Corporate seal of the said Company and the signatures of the  
President and the Secretary Harrisburg, Pa. 189\_\_

President \_\_\_\_\_ Secretary \_\_\_\_\_

FULL PAID. NON-ASSESSABLE.



considerations to support it. As a general rule private corporations organized under the laws of one state are permitted to do business in other states. It is sometimes to the interest of a stock company to organize under the laws of one state for the purpose of doing business in another. For instance there are many companies chartered under the laws of Maine and with headquarters in Boston. The Massachusetts laws require that a large portion of the capital be paid up when the company is organized, while a company with twenty-five dollars can organize in Maine for \$100,000 and not a single member be a resident of the state. So it is that many large companies doing business in New York and Philadelphia are organized under the laws of New Jersey. A corporation ceases to exist when it was limited by its charter to a certain period of time, and that period has elapsed. A corporation may be terminated by a repeal of its charter when a right to repeal was reserved. A corporation may make an assignment just as may an individual. If all the members die the property interests pass to the rightful heirs and under ordinary conditions the corporation still exists. It is usual to provide for the winding up of corporations which are found to be insolvent. Persons wishing to form a corporation or stock company should study carefully the State laws under which they intend to organize.

#### **Bonds.**

If a railroad or a steamship company or a city or any other corporation desire to borrow money, instruments of credit called *bonds* are issued. Bonds bear almost the same relation to the resources of a corporation that mortgages do to real estate. A bond means something that binds. Bonds are usually issued for a period of years and have coupons attached which are to be cut off and presented for payment of interest at regular intervals. The portion of the earnings of a corporation is usually set aside each year as a *sinking fund* to meet the bonds when they mature. Thus you see that a bondholder runs less risk than a stockholder, for the corporation is bound to pay interest on its bonds but is not obliged to pay dividends on its stock. On the other hand, if the concern is very successful, the shareholders may receive more money than the bondholders; for no matter how large the profits are, only the promised rate of interest is paid on the bonds, whereas the dividends paid will grow larger as the earnings increase. A bond is evidence of debt, specifying the interest, and stating when the principal shall be paid; a certificate of stock is evidence that the owner is a

part-owner in the company, not a creditor of the company, and having no right to regain his money except by the sale of the stock, or the winding up of the company's business. The name *debentures* is given to a form of municipal bond in general use. Nearly all the large sums of money used by states and cities for the building of government institutions, bridges, canals, etc., are raised through the issue of bonds which are sold, usually at a price a little below par, to large financial institutions, banks, and insurance companies. Generally speaking such bonds are considered good *securities* and are marketable anywhere.

#### **Corporation Franchise.**

A *franchise* is a right granted by the state to individuals or to corporations. The franchise of a railroad company is the right to operate its road. Such franchise has a value entirely distinct from the value of the plant or the ordinary property of the corporation. When a corporation sells its property, the buyer should expressly bargain for the franchise. Frequently a corporation is not allowed to sell its franchise except by consent of the state.

#### **Liability of Stockholders.**

The stockholders of a *corporation* are usually not liable for its debts beyond the amount of the stock held by them. The members of a *joint-stock company* are liable as partners. The holders of national bank stocks, in case of the failure of the bank, are liable to double the amount of the face value of their stock; that is, each stockholder, in addition to the loss of his stock, may be assessed to pay all the debts of the bank, up to an amount equal to his stock. There is no personal liability as in the case of partnerships or joint-stock companies. An instance is given of a gentlemen in Boston who had \$30,000 invested in the stock of a national bank of that city. The bank failed. He lost his entire \$30,000 and was compelled to pay an additional \$30,000. That is, the failure reduced his property \$60,000.

#### **Arbitrage.**

This name is given to stocks and shares bought in one market and sold in another; as shares bought on the London market and sold in New York. This class of business is in the hands of brokers and is carried on by telegraph.

#### **Advantages over Partnerships.**

The following are given as a few of the advantages which are claimed for corporations and joint-stock companies over partnerships:

2. Union of capital without the active service of the investors. 2. Better facilities for borrowing. It is a common thing for a partnership to be changed to a corporation for the express purpose of raising money by the issue of bonds or stock. 3. Limited agency of directors. A partner may pledge and sell the partnership property, may buy goods on account of the partnership, may borrow money and contract debts in the name and on the account of the partnership. These powers cannot be limited by agreement between the partners so as to bind outsiders. Accordingly, a person dealing with a partner is entitled, unless he has express notice to the contrary, to assume that the partnership has the usual powers. The directors of a company are in a very different position. They are *special* agents, and have only such powers as are given to them by regulations of the company. The power of thus effectually limiting the authority of the acting partners is of great value, and constitutes one of the chief advantages which a company has over a partnership. 4. The continuous existence of a company. Where a man is possessed of a profitable business he very commonly wishes to provide for its continuance in the event of his death. If he proposes to bequeath the concern to his son or some other relative absolutely, there is no difficulty; but it may be that his sons are under age or are not anxious to engage in the business; in such cases the ordinary course, if the concern is not converted into a company, is to bequeath the business, with the capital employed in it, to trustees who are directed to carry it on so as to effect the testator's wishes. But in these work-a-day times it is very difficult to find trustees willing to undertake such trusts. If, however, the business has been changed to a private company these difficulties disappear. All the shares in the company with the exception of a very few, are issued to the former owner as fully paid up and he becomes managing director. By his will the shares are bequeathed to trustees, who become or appoint directors. Upon the death of the testator the business will go on, and in due course the shares may be sold, distributed, or otherwise disposed of as his will directs. 5. In the case of a partnership the title of the property held may be affected by the death or bankruptcy of one of the partners, but in the case of a company the property is vested in the company as a body corporate, and no changes among its members affect the title. 6. Contracts with a partnership are in law regarded as contracts with the members of it, whereas contracts with a company are not contracts with individual shareholders. 7. New shareholders are admitted much more easily than are new partners. 8. A retiring



partner is still liable for existing debts; a shareholder can retire absolutely by selling his stock and having it legally transferred.



**Illustrating why Companies are Formed.**

It may be helpful to the student to give some instances of the many

causes which lead to the formation of stock companies and corporations:

1. A firm consists of several members, each of whom has put together some private means which he is desirous of freeing from the risk of trade. To effect this they convert the business into a stock company; they become the sole directors of the company; and they receive paid-up shares in substitution for their interests in the business. Henceforth their assets outside the business are under certain conditions free from risk.

2. A firm consists of several members, one of whom is entitled to the greater part of the capital, and has also large private means. He is disposed to retire on the fortune he has accumulated. If his liability could be limited, he would be willing to leave part of his capital in the business, and to assume the position of a sleeping partner. The only way in which this can be effected is by converting the business into a limited liability company.

3. The owner of a profitable business dies. There are competent managers, but the owner's sons are not inclined to devote themselves to the concern, or to incur the unlimited liability involved in carrying it on through managers. Accordingly, they convert the business into a private company.

4. A capitalist is willing to supply a person or a firm engaged in trade with additional capital in consideration of a share in the profits, but does not wish to incur the liabilities of partnership. He therefore stipulates that the business shall be converted into a limited company. He then brings in the additional capital by paying cash for the shares of the company.

5. A, B, and C are entitled to a valuable business. By reasons of a temporary lock-up of funds or otherwise they find it necessary to consult their principal creditors. Bankruptcy, with its grasping officialism and discredit, would be disastrous to all concerned, and more especially to the creditors. Accordingly, the concern is converted into a company, the smaller creditors are paid off in full, and the principal creditors all take debentures for their debts, and are given paramount control in the management of the company. The concern is thus placed on its legs, and as soon as practicable the debentures are cleared off, and meantime the creditors have the fullest security that it is possible to give them, and are able in fact to manage their own affairs and protect their own interests.

6. A, B, and C desire to start a newspaper, or to supply a town



with water, or to build a theatre, or to provide swimming baths, or to erect a hotel. They consider it necessary to unite their capital. Accordingly they form a private company and each becomes a director, and further funds, if wanted, are raised by the issue of additional stock or first mortgage bonds.

7. A has a patent for an invention, but no capital. The utility of the invention is fairly obvious, but it requires to be more thoroughly tested, and a large expense must be incurred in putting it on the market. B, C, and D agree to put up the necessary capital for a share in the profits and to carry out their plans properly they find it necessary to form a stock company.

The foregoing are simple illustrations. There are thousands of reasons why companies and corporations are formed. In four cases out of five the major reason is the need of the larger working capital which can be more easily secured by the formation of a chartered concern.

### **Investing.**

With the growth of wealth, we find increasing numbers of persons who want to invest their means in good securities. To do this successfully and safely is a very difficult question. It is even more difficult to keep money profitably employed than to make it. Changes and innovations are of continual occurrence. Not only are new securities constantly coming upon the market, but new subjects as a basis of their production are industriously sought after. Every newly-discovered force or process in mechanics means the appearance of another detachment of paper securities. The war of the rebellion popularized the *coupon bond*, in consequence of its adoption by the government, and made it the favorite form of investment paper. Railroads and other corporations soon availed themselves of the confidence which that species of paper inspired, and states, cities, and counties were soon flooding the country with obligations carrying long coupon attachments. Many persons have purchased and paid good prices for mortgage coupon bonds, giving them no control over their security, who would have rejected share-certificates standing for an equal interest in the property pledged, and giving them the right to participate in its management, with the possibility of a greater return for their money. Many of the states through careless legislation have permitted corporations to decide for themselves the amounts of obligations they might put out, and the privilege has been very much abused. We now have stocks and

bonds upon the market representing nearly all conceivable kinds of property—telegraph and telephone companies, mining companies, cattle ranches, grain farms, water-works, canals, bridges, oil and gas wells, electric lighting, trolley companies, factories and mills, patent rights, steamboat lines, apartment houses, etc. Not only are properties of many kinds used to issue bonds upon, but many kinds of bonds are often issued upon the same properties. Thus we find among our railroads not only first, second, and third mortgages, but income bonds, convertible bonds, consolidated bonds, redemption bonds, renewal bonds, terminal bonds, divisional bonds, sinking-fund bonds, collateral trust bonds, equipment bonds, etc., until they lap and overlap in seemingly endless confusion. One issue of bonds is sometimes made the basis of other issues. Some one has said that there never was a time in the history of the world when it was so easy to invest money—and to lose it. Of the securities that are offered with first-class recommendations, it is probable that about one-third are actually good, one-third have some value, and one-third are practically worthless. In making investments, the first and main thing to be studied is safety. Never buy a security of any kind without having read it. Do not buy what are commonly known as *cheap securities*. Do not rely solely upon the advice of a broker. He may have personal interest to serve. By far the greater number of losses to investors has been in securities purchased exclusively on the recommendation of interested commission men. It is a mistake to give preference to *listed* securities—that is, those reported on the stock exchange lists. Stocks are too often listed simply for speculative purposes, and the price represents not so much the value of the property as the pitch of the speculation at the time. Securities, in the long run, must stand upon their merits. As a rule, the best time for an experienced investor to buy, is when others are unloading.

#### U. S. Government Bonds.

At different times the United States government has issued bonds to relieve the treasury. No better investments are offered. They draw interest at rates from 3 to 4 per cent., and late issues have been sold at prices slightly above par. These bonds are absolutely safe and are always marketable. It is estimated that the civilized nations of the globe now owe, without including local obligations, not less than thirty billions of dollars, a sum equal to a mortgage of \$800 on each square mile of their territory.

**State Bonds.**

History has shown that state bonds—bonds issued by the states for local enterprises and improvements, such as government buildings,



schools, hospitals, etc.—have not always proven profitable as investments. As a rule, however, the bonds of such states as Massachusetts,

New York, Pennsylvania, etc., rank next to those of the Federal government as safe securities.

### **Municipal Bonds.**

These are issued by cities and other municipalities to raise money for local improvements, such as city buildings, street paving, water-works, etc. They have an important element of security that state bonds do not possess. Their collection can be legally enforced, but in buying them, it is very important that all points affecting their validity should be carefully inquired into. If proper precautions are taken by buyers, municipal securities may be considered among our safest and most remunerative investments.

### **Railroad Mortgages.**

As our railways, with few exceptions, are valuable and productive properties, they furnish an excellent security for interest-bearing paper, provided always that they are properly managed and not overburdened with debt. Railroads are now built for the purpose of profit. Railroad-ing is an industry just as is the raising of cattle, the growing of grain, or the manufacture of machinery. When a new railway enterprise is undertaken, its promoters expect to make the road not only supply funds for its own construction, but to give them working capital in addition. This is accomplished by mortgaging the property to that extent that the bonds can be sold for a larger sum than the actual cost of the road. Default in the payment of interest throws the road into the hands of a receiver. The securities immediately fall in value. They are perhaps bought up by a syndicate of crafty speculators who are permitted to reorganize the road and its management. This is the history of many of our roads. There are exceptional cases, of course, but the investor should be familiar with the facts before buying railroad mortgages.

### **Railroad Stocks.**

These are of such varied character that it is impossible here to make more than general statements. Many of our railroad stocks bring prices far above par and pay liberal interest on investments. Some of them are so profitable that they are really not on the market and cannot easily be bought. Others represent roads loaded down with mortgages and other obligations so heavy as to make the stock really a liability

rather than a resource to its owner. The stock quotations represent in a general way the comparative value of these securities.

#### **Miscellaneous Stocks.**

To make a profitable investment in stocks the buyer must anticipate the future. A mill that may be working day and night this year may be obliged to shut down entirely next year. A business which is open to public competition must take its chances on its future success. The greater the earnings the more certain the competition. Many corporations owning monopolies by virtue of patent rights have made large fortunes, but there is always the possibility of new discovery. Electricity has succeeded gas; the telephone is competing with the telegraph; the trolley is cutting into the profits of railways. A good thing in stocks to-day does not necessarily mean a good thing next year.

#### **Farm Mortgages.**

Mortgages upon improved property, if properly graduated in amount, should be safe and profitable investments. The buyer, however, must exercise great care and good judgment. Should there be collusion between the loaning agent and the land owner, the money advanced may be largely in excess of the actual property value. Villages with less than a dozen houses are often the sites of investment companies doing business under pretentious names, and offering mortgage investments at interest rates which by the local conditions are impossible. One of the devices of these enterprising companies is to offer their own guarantees as to both principal and interest of all mortgages negotiated by them. The investor should be sure of two things: 1. the safety of the principal, 2. regularity in the payment of the interest. There is great danger of default from causes not anticipated by the farmer and over which he has no control.

#### **Electric Railway Stock.**

Of recent stock this is the most popular and in many instances the most profitable. The introduction of electric power has reduced the working expense one-half and in most instances has doubled the traffic without any reduction in fares. The buyer should make sure that the road is in a busy community able to sustain it, that its franchise will protect it from dangerous competition, and that the securities have been legally issued.

#### **Substitution Securities.**

There have recently been formed several large companies whose

business it is to issue bonds on the security of other bonds. The idea is similar to that of real estate title insurance. Such companies are supposed to have superior facilities for investigating securities. They purchase those which they consider good and at the best prices possible. These they deposit with some trust company or banking institution. With these bonds, which they buy, as their original property, they issue new bonds of their own which they sell to the public and which they guarantee. The differences in prices and in interest make up their profits.

#### **Stock Quotations.**

The stock quotations as given in our daily and financial papers are easily understood. In some instances the price offered by buyers and the price asked by sellers are both given. Bonds quoted for instance at 99@100 would indicate that if you wish to sell you can get 99 and if you wish to buy they will cost you 100.

#### **Bottomry Bonds.**

A *bottomry bond* is a kind of mortgage peculiar to shipping. It is a conveyance of the ship as security for advances made to the owner. If the ship is lost, the creditor loses his money, and has no claim against the owner personally. It is allowable for a loan made on such a bond to bear any rate of interest in excess of the legal rate. A vessel arriving in a foreign port may require repairs and supplies before she can proceed further on her voyage, and in occasions of this kind a bottomry bond is given. The owner or master pledges the keel or *bottom* of the ship, a part, in fact, for the whole, as a security.

#### **General Mortgages.**

A *mortgage* is a conveyance of property for the purpose of securing a debt, with the condition that if the debt is paid, the conveyance is to become void. A mortgage of personal property is called a *chattel mortgage*. A mortgage in form is really a deed of the land, with a special clause stating that the grant is not absolute, but only for the security of the debt. It is usual for the debtor at the time of executing the mortgage to also execute a bond or promissory note in favor of the creditor for the amount of the debt. This is called a *mortgage note*. When land is bought by one who is unable to pay for it in full, it is common for the purchaser to give back to the grantor a mortgage on the land conveyed for the unpaid balance. Mortgages are frequently given, in cases where there is a debt existing, to secure an indemnity





the mortgagee against some liability which he may possibly incur on behalf or for the benefit of the mortgagor. For instance, where a man has endorsed another's note for the latter's accommodation, or gone on his bond as surety, the latter may execute to the former a *mortgage of indemnity*. When a married man makes a mortgage his wife should sign with him, in order to cut off her dower rights. The power of a corporation to make a mortgage is regulated by its charter or the general law under which it is organized. Religious corporations can mortgage only upon consent of the court. All mortgages must be recorded in the office of the register of deeds for the county in which the property is located. The object of recording is to give notice of the existence of the mortgage to any one who might wish to purchase the land, or to take a mortgage upon it. There may be several mortgages upon the same property. The first mortgagee is entitled to be paid in full first, then the second, and so on. The mortgagee may use his mortgage as security for loans or may assign it as he pleases. When the requirements of a mortgage are not met the holder has under certain conditions the right to *foreclose*, that is to advertise the property for sale, and within a time fixed by law, to sell it to satisfy the mortgage. It is usual for the mortgagor to insure the property for the benefit of the mortgagee.



### EXAMINATION QUESTIONS.

1. Enumerate some of the advantages to the general commerce of the country of our stock exchanges.
2. What are *Consols*? Explain the meaning of *U. S. 4s. 1907 Registered*.
3. If Pennsylvania R. R. stock is quoted in New York at  $5\frac{1}{4}$  and in London at  $54\frac{1}{8}$ , with exchange at 4.88, what is the *gold* advantage or disadvantage to a Londoner who buys 1,000 shares?
4. Distinguish between the two classes of dealers who generally operate on stock exchanges.
5. Give some particulars of the history and workings of the New York Stock Exchange.
6. What is meant by selling stocks or bonds in the *regular-way*?
7. What is a *ticker*? Give particulars of its use.
8. Distinguish between the use of the terms *bear* and *bull* in stock exchange manipulations. What is a *hedge*?
9. A broker buys 1,000 shares of stock for a customer and **sells** it again, what should his commission amount to?
10. Explain the meaning of *puts* and *calls*.
11. "The speculator usually trades on margins." What is meant by this?
12. What is the general commercial meaning of *securities*?
13. Explain the meaning of *mortgage bonds*, *debentures*, *certificates of stock*, *syndicate*, *substitution securities*.
14. Explain the difference between par and market value. Why do stocks and bonds vary in value?
15. What is the *dividend*? What is the usual commission of a stock broker?
16. Is the income from bonds affected by the prosperity of the business or corporation? Explain.
17. If I buy  $3\frac{1}{2}$  per cent. U. S. bonds at  $113\frac{1}{8}$ , what rate of interest do I receive?

18. At what rate should stock paying annual dividends of 12 per cent. be bought to realize  $7\frac{1}{2}$  per cent. on investment?

19. Stock is originally bought at  $37\frac{1}{2}$ . It is doubled by "watering" three times. It nows pays quarterly dividends of  $4\frac{1}{2}$  per cent. What per cent. does it pay on original investment? (*Ans.* 384 per cent.)

20. I bought 720 shares railroad stock at  $71\frac{3}{8}$  through a broker, on a margin of 10 per cent., and he sold for me at  $74\frac{1}{2}$ . What per cent. profit did I make on my actual investment? (*Ans.* 44 per cent., nearly).

21. At what price must U. S.  $3\frac{1}{2}$ 's. be bought to net 4 per cent.?

22. What is meant by the *settlement days* of English exchanges?

23. Explain the following stock exchange terms: *Pool, boom, panic, trading on the curb, a wash sale, buyer 3, bucket-shops.*

24. Distinguish between selling *dividend-on* and selling *ex-dividend*.

25. Discuss in a general way the business of brokers in large cities. Why do merchants and manufacturers find it to their advantage to employ brokers?

26. Give the successive and necessary steps in the formation of a joint stock company.

27. Why are companies who exist and belong in one State organized under the laws of another State?

28. To what extent are purchasers of shares of stock responsible for the liabilities of the concern represented?

29. Explain very fully the difference as to resource and liability between a bondholder and a stockholder.

30. How can the stock of a company or corporation be increased?

31. Explain clearly the difference between a stock company and a corporation.

32. What is the effect of an arrangement between partners as to sharing the liabilities of a concern? How about share-owners in this particular?

33. How may a stock company be dissolved?

34. What is the difference between a voluntary association such as a society or club and a stock company?

35. Explain what is meant by *preferred stock*. What is *treasury stock*?

36. In reports of banks, insurance companies, and other large corporations we notice that large sums of money are classed as *surplus fund*. How is this fund formed, to whom does it belong, and why is it held by the corporations?

37. Explain very fully the meaning of *Limited* when it forms part of the legal title of a company.

38. A invests \$10,000 in the stock of a manufacturing company; B invests \$10,000 in the stock of a national bank; C invests \$10,000 in the stock of a limited liability publishing company. All three concerns fail and their existing assets apart from the liability of the stockholders is 10 cents on the dollar. How much will A, B, and C lose respectively?

39. Can A transfer a share of stock to B? Give full particulars.

40. Explain clearly the two distinct methods by which corporations may be called into being. Can the members of a corporation be indefinite as to number? Explain. Can they be indefinite as to person?

41. Could a municipal corporation enforce a by-law forbidding the use of its streets to others than its own citizens? Why?

42. If all the members of a corporation die, to whom will the property interests pass? Will the corporation still exist?

43. What is the purpose of the coupons which we find attached to bonds?

44. Distinguish between the franchise of a railroad and that of an individual.

45. What is *arbitrage*?

46. Give fully some of the advantages which stock companies and corporations have over partnerships.

47. Discuss the subject of *investments* showing the investors' chances of gain or liability to loss.

48. The United States government makes and issues money and

has its vaults well filled with coin and bullion. Why is it necessary to issue government bonds?

49. What provision is usually made for the redemption of municipal bonds which have a long period to run?

50. Is it legal to sell shares of stock and issue mortgage bonds upon the same property? What relationship do they bear one to the other?

51. What is meant when we say that a certain railway is in the hands of a receiver?



PENNSYLVANIA RAILROAD COMPANY												
WAY-BILL of MERCHANDISE forwarded from _____ to _____												
CAR	CONSIGNEE	CONSIGNEE	DESTINATION	ARTICLES	WT	CL	RT	FREIGHT	EXPENSE	PREPAID	COLLECT	
TRANSPORTATION												

## Transportation of Mail, Money, and Merchandise.

### History of Transportation.

The Romans had an admirable system of roads, and a highway legislation not unlike that now prevailing in France. But in the middle ages both the roads and the law were allowed to decay. As the central governments of Europe grew in power, from the sixteenth to the eighteenth century, they also laid claims to rights over the roads; first in the form of a right to levy tolls; and later in undertaking to build roads, and maintain them under their own control. Throughout the continent the road taxes were oppressive and the highways extremely bad. A thorough reform was instituted in France by revolutionary legislation which provided for roads free from tolls, and supported by the nation. Similar legislation was carried out during the same period in other parts of the continent. In England the course of events had been different. The roads had always been recognized as the king's highways. The experiment of tolls was cautiously tried. Turnpike trusts were introduced at the beginning of the last century with tolerable success. The early American system was modeled upon that of England—especially so in New England. The development of the canal system in England and America was almost simultaneous with that of turnpike roads. In internal navigation France took the lead while in railroad building England took the lead. Competition has increased greatly the speed and reduced materially the expense of transportation. By the study of the prevailing winds, the speed of sailing vessels on many frequented routes was nearly doubled, and the expense of carriage

thereby greatly diminished. Fifty years of constant improvement in postal facilities have been marked by a reduction of postal charges to less than one-fifth what they were at the beginning. There has been the same kind of improvement and reduction in the steamship service. When ocean steamships were first introduced, it was not supposed that they could ever compete with sail for the carriage of ordinary freight, even on the most frequented routes. Railroads soon after their introduction, proved themselves more than a match for any competition from the old system of hauling in wagons; and transportation has now reached such perfection that the one cent per bushel which it costs the farmer to haul wheat a mile by wagon, is a higher rate than he has to pay per ton per mile by railroad. Or, to put the same results in another way, in most of the wheat regions it would not pay to grow grain which had to be hauled 25 miles by wagon; in some places the limit of wagon hauling is as low as ten miles.

#### **Economic Results of Improved Means of Transportation.**

The successive railroad improvements, both in engineering and in management, culminating in the wonderful substitution of steel rails for iron, and the enormously increased loads thus rendered possible, have produced such astonishing results, that it is not safe to predict the possibilities of the near future. The most immediate effect of cheapened transportation is to increase the distance at which it is possible for producer and consumer to deal with each other. To the producer it offers a wider market and to the consumer more varied sources of supply. On the whole, cheapened transportation is more uniformly beneficial to the consumer; its temporary advantage to the producer very often leads to overproduction. It has the effect also of bringing about nearly uniform prices the world over. In the case of less bulky manufactured products, these differences of price almost disappear, except as they are due to artificial obstructions. The time was when nearness to market was of the greatest possible advantage. At the present time a farmer can raise his celery in Michigan or his beets in Dakota and market them in New York city about as easily as though he lived on Long Island. It is no longer location which determines the business to be carried on in a particular spot, but natural advantages more or less independent of location. These changes have had a wonderful influence upon international relations. Even the barriers raised by high protective tariffs hardly avail to counteract the effects of reduced transportation. It is the railroad or the steamboat which determines where a new business

shall be developed, quite as often as the policy of a government. The grant of special rates and privileges to shippers is nowadays the most efficient kind of protection. It is this quickening and cheapening of transportation that have given such stimulus in the present day to the growth of large cities. It enables them to draw cheap food from a far larger territory, and it causes business to locate where the widest business connection is to be had, rather than where the goods or raw materials are most easily procured. With this growth of city life, comes the increased gain of large dealers at the expense of the small; with it comes organized speculation, and its attendant results, good and evil; and with it comes the development of enormous wealth in the hands of a few. It is because these indirect results are so far-reaching that the question of government control of transportation agencies has reached its present importance.

#### **Transportation Rates.**

As a general rule transportation rates are lower in Europe than in America. Transportation agencies in private hands will of course be managed on business principles, that is, they will charge all that the traffic will bear. It would seem, at first sight, as if non-competitive points were thus left entirely at the mercy of railroad managers. Practically, however, this danger is checked by two important limitations. In the first place, the competition of different localities in the same market is such that if one railroad charges rates arbitrarily higher than its competitors, it renders it impossible for the localities along its route to ship goods at a profit, and will thus quickly destroy its own traffic; secondly, exorbitant rates may induce the building of a parallel railroad; and however ineffective such roads generally prove after they are built, the prospect of one in the future has the tendency to keep rates down. The dangerous kind of discrimination, and one which cannot be too strongly reprehended, is that which makes special rates for different individuals, doing the same kind of business in nearly the same place. The rates of transportation in America are partly regulated by state and federal legislation, but more largely by mutual arrangement of transportation companies.

#### **Freight Companies.**

Prior to the completion of the organization of trunk or through lines, freight was compelled to break bulk and suffer trans-shipment at the end of each line, where a new corporation took up the traffic and



carried it beyond. To prevent this breaking of bulk, and to expedite the carriage of freight, fast freight lines on separate capitalization were organized, at first by the managers of the railways themselves owning or leasing their freight cars, and then made profitable by special arrangements with the railways readily enough secured, because of the fact that the railway officials themselves were largely interested in the fast freight lines. Notwithstanding the fact that many of the state legislatures have made laws to regulate the carrying trade, it is generally known that many large business firms, the leviathans of modern business, can and do dictate their own terms between rival corporations, while small concerns are compelled to accept the best terms they can get. Special contracts covering long periods of time are made every day with heavy shippers, under which the common carrier, whose first duty it is to serve all equally, gives to certain houses a practical control of the markets. The names of the leading freight companies such as *Merchants' Despatch*, *Union Line*, etc., are familiar to every one.

#### **Common Carrier.**

In a legal sense a common carrier is one whose regular business is to carry articles of personal property from place to place for the public. Expresses, stages, railroads, canal boats, steamboats, teamsters, ferries, etc., are instances of common carriers. A common carrier must carry for every one who desires to employ him and is ready to pay him his reasonable charge, so long as he has accommodations, and holds himself out to carry the kind of articles offered. It is the carrier's duty to load the goods carefully and to carry them safely and without unreasonable delay, and he is liable under certain conditions for damage or loss while in his possession.

#### **A Bill of Lading.**

A bill of lading is an acknowledgment by a transportation company of the receipt of goods specified, and contracts for their delivery at a certain place, under conditions stated thereon upon payment of freight and expenses. Bills of lading are negotiable and may be transferred by endorsement, but are of no value apart from the goods to which they give title. A bill of lading goes with certain *named* goods and cannot be transferred to other goods even though of precisely the same kind and price. Marine bills of lading are usually made in triplicate; one is kept by the shipper, another by the vessel, and the third is sent by mail to the person to receive the goods. Original re-

ceipts, stating marks and quantities of goods, go with each separate lot to the freight sheds or vessel, and these are summed up in a formal bill of lading, for which they are exchanged, when all the cases or bundles

ERIE DESPATCH.			
ERIE & PACIFIC DESPATCH DIVISION. GREAT WESTERN DESPATCH DIVISION. SOUTH SHORE LINE DIVISION.			
<b>RECEIVED FROM</b> <i>James Anderson &amp; Son, 149 So. 6th St.</i> <small>The receipt is not valid unless countersigned by the receiver of the goods, and is not to be used as a bill of lading, unless so provided for in the contract of carriage.</small>		<b>DATE</b> <i>Sept. 19</i> <b>1895.</b>	
<b>PHILADELPHIA &amp; READING RD., PHILADELPHIA, PA.</b>			
<b>SHIPPER'S AND SHIPPER'S.</b>		<b>DESCRIPTION OF ARTICLES.</b>	
<b>WEIGHT, Subject to Correction.</b>			
<b>COMMODITY AND DESTINATION.</b>			
<i>Burns, Banks &amp; Sons</i>		<i>200 Cases Delaware</i>	
<i>91 Niagara St.</i>		<i>Strawberries</i>	
<i>Ruffalo, N.Y.</i>		<i>6980 lb.</i>	
<b>VIA ERIE DESPATCH AND</b>			
<b>Advanced Charges, \$12.00</b>		<b>Exchange for Bill of Lading, at 333 Chestnut Street.</b>	
<small>The conditions upon which the above-named property is received for transportation by the ERIE DESPATCH are printed on the back hereof.</small>			
<b>ORIGINAL—SHIPPING RECEIPT.</b>			
<small>(To be retained by Shipper.)</small>			
<small>(FORM 6-103)</small>			
<b>ERIE DESPATCH.</b>			
<b>ERIE &amp; PACIFIC DESPATCH DIVISION. GREAT WESTERN DESPATCH DIVISION. SOUTH SHORE LINE DIVISION.</b>			
<b>RECEIVED FROM</b> <i>James Anderson &amp; Son, 149 So. 6th St.</i> <small>The receipt is not valid unless countersigned by the receiver of the goods, and is not to be used as a bill of lading, unless so provided for in the contract of carriage.</small>		<b>DATE</b> <i>Sept. 19</i> <b>1895.</b>	
<b>PHILADELPHIA &amp; READING RD., PHILADELPHIA, PA.</b>			
<b>SHIPPER'S AND SHIPPER'S.</b>		<b>DESCRIPTION OF ARTICLES.</b>	
<b>WEIGHT, Subject to Correction.</b>			
<b>COMMODITY AND DESTINATION.</b>			
<i>Burns, Banks &amp; Sons</i>		<i>200 Cases Delaware</i>	
<i>91 Niagara St.</i>		<i>Strawberries</i>	
<i>Ruffalo, N.Y.</i>		<i>6980 lb.</i>	
<b>VIA ERIE DESPATCH AND</b>			
<b>Advanced Charges, \$12.50</b>		<b>Loaded in</b> <i>XXXXXX</i> <b>Car. No.</b> <i>XXXX</i>	
<small>The conditions upon which the above-named property is received for transportation by the ERIE DESPATCH are printed on the back hereof.</small>			
<b>DUPLICATE—FORWARDING ORDER.</b>			
<small>(To be retained by Receiver.)</small>			
<small>(FORM 6-103)</small>			
<b>Received by</b> _____			

belonging to the particular shipment have been delivered. The part of the receipt marked invoice is kept by the receiver of the freight, and the other end is given to the drayman. In making small shipments, or



[illegible]

unable to insert the name of the consignee at the time the bill of lading is made out, a *bill to order* is drawn up, wherein the consignee's

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name is superseded by the words, *shipper's order*, or simply *order*; it being thus understood that the goods shall be delivered to whomsoever presents, at point of destination, the bill of lading duly endorsed by the shipper. By such a simple arrangement as a *bill to order*, the merchant is enabled to sell the goods while they are at sea or in transit, and a consignment of merchandise may change hands several times before arrival at its destination. When a case to be shipped has been properly entered and weighed, it is then ready to be manifested or *way-billed*, as no shipment is allowed to go forward without a way-bill. This way-bill is simply a memorandum of the consignment together with full and complete shipping directions, giving also the number of the car into which the case has been loaded and the point to which the car is carded. The freight conductor has way-bills for all the goods which he carries. See illustration. In the column headed *freight* are extended the total charges between points from and to which the way-bill is made. In the column headed *advances* are extended the amounts paid out by the forwarding station as back charges. When a shipment is received from a connecting road at a junction the agent of the receiving road pays the freight charges against the shipment up to that point; these are termed advanced charges, which is a credit to the latter line because it *advanced* the money. In the column *prepaid* are extended the amounts collected from the shipper. When a shipment is prepaid a statement is made on the way-bill giving the point to which the prepayment is to cover, and is a debit to forwarding station and a credit to the receiving agent. Card tickets to be attached to the outside of the car are made from the way-bills. The freight conductor turns over way-bill and merchandise to the agent at the point of destination.

### General Freight Rates.

There are so many things which enter into consideration in formation of freight rates by railways that no specific rules can be given. Generally speaking trade seeks the cheapest path from the producer to the consumer. The purpose of interstate commerce laws is to secure for every person and place just and equal treatment at the hands of the transportation companies. All rates must eventually be brought to a uniformity through competitive influences. Many instances could be cited of large concerns whose shipping is so necessary to a particular road, that they are in a position to, in a limited way, dictate their own terms. This is sometimes done between competing lines by an as-

sociation of shippers, so that rates are largely a variety of conditions and compromises. Frequently joint and uniform rates are made by agreement between the general freight agents of competing roads. The rates between the East and West are regulated largely by what are known as the Trunk Line and Central Traffic Associations. The rates between New York and Chicago are taken as a basis per mile upon which rates between intervening points are computed.

#### **Differential Freight Rates.**

The name *differential* as applied to freight rates refers to the differences which are made by railroad companies. Certain routes are by agreement allowed to charge a lower rate than others running to the same points. From each of the eastern cities there are two classes of roads—the *standard* lines and the *differential* lines. The standard lines have the advantage of more direct connections and better freight organization facilities. The differential lines reach the freight destinations by circuitous routes, in some instances by almost double the mileage. With a view of equalizing these conditions, the general traffic associations allow the differential lines to carry freight at a lower rate per mile than the rate charged by the standard lines. The standard lines from New York to the West are the New York Central, Pennsylvania, and the Baltimore and Ohio. All the other roads having a connection East and West are classed as differential. The standard lines charge 4 cents a 100 pounds more for first class freight than the differential lines.

#### **Passenger Railway Rates**

Local passenger rates are usually based on  $2\frac{1}{2}$  or 3 cents a mile for a single ride, and for a round trip two-thirds of the double rate. The through passenger rates are made by the mutual agreement of the general passenger agents of the several roads interested. The entire amount charged is proportioned between the roads carrying the passengers according to the mileage of each. Sometimes it is necessary to take into consideration also the fact that one section of the through line is permitted to charge 3 cents per mile for local traffic while another section of the through line passing through a different state may not charge more than  $2\frac{1}{2}$  cents per mile for local traffic. By a *stop-off* is meant a break in the continuous passage at some intermediate point. Stop-off privileges are granted on certain trains at no additional expense. Most of the railways sell what are known as *mileage-book*

*tickets.* These are books good for 1,000 miles of transportation. They are usually sold for two cents a mile and can be used only by the purchaser. *Coupon tickets* are those issued by one road for transportation over several roads. Almost all through tickets are of this class. *Ticket scalpers* are men whose business it is to buy and sell tickets at cut rates. They are not permitted to do business in Pennsylvania and some other states.

#### **Freight Classification.**

The transportation business of the United States is so varied and complicated that a proper study of its freight tariffs and classifications would require much more space than can be given to this paragraph. Most of the transportation companies issue freight guides which give in detail the classifications of all kinds of commodities. It is evident that it should cost less to ship a hundred pounds of wheat from Minneapolis to New York than to ship a hundred pounds of jewelry from New York to Minneapolis. The farmer would necessarily be obliged to quit growing wheat if it cost him 60 cents a bushel to ship it to the sea-board. The jeweler can easily afford to pay two or three dollars to transport one hundred pounds of jewels from one point to another. A transportation company in making a schedule of rates would consider, 1. the competition of other roads, 2. the total volume of business, 3. the direction—that is, of loaded trains or empty trains, 4. the value of the article, 5. the bulk and weight, 6. the risk of transportation, 7. the facilities for loading and unloading, 8. the special equipment, if any, necessary. The classifications now generally adopted by railways have been brought about by a variety of influences and many compromises. At the present time there are three distinct freight classifications: 1. The official classification covering the territory east and northeast of Chicago. 2. The southern classification. 3. The western classification. That is to say that a particular commodity might be considered *first-class* in one section, *second-class* in another, and *third-class* in another.

#### **Freight Regulations.**

When freight is consigned to a certain party, the freight is delivered to that party only, or upon his written order. When consigned to one party *in care of* a second party, the freight is delivered to the second party only, or upon his written order. When consigned to one party, *notify a second party.* the second party is notified, but delivery of the



freight is only made upon the presentation and surrender of the original shipping receipt or bill of lading, properly endorsed by the first party. When consigned simply *to order* or *to order of shipper*, the freight is only delivered upon presentation and surrender of the original shipping receipt or bill of lading, properly endorsed by the party to whom it was issued. When consigned *to order* of a certain party, the freight is only delivered upon the presentation and surrender of the original shipping receipt or bill of lading, properly endorsed by the party to whose order the property is consigned. No freight or any portion of a consignment can be removed from a station until all the charges are paid.

### Transportation Accounts.

There are no more complicated systems of accounts than those necessary to railroading. The collecting of freight and holding local agents responsible for it, the dividing of the freight collected between several lines, the following of freight cars, the checking and auditing of way-bills, the proportioning of ticket receipts, the purchasing of material, the traffic expenses, and a thousand and one other things go to make up a system of account keeping which in the best regulated companies, is remarkable for exactness and thoroughness. We give here in tabulated form an analysis of a set of railway accounts:

#### 1. Capital Stock and Funded Debt.

2. Cost of Road and Equipment . .	{	Supt. and Engineers Expenses
		Right of way
		Road-bed and Track
		Rolling Stock
		Repair Shops
		Telegraph Lines
		Offices
		Additions and Betterments

3. Income . . . . .	{	Earnings {	Passengers and Freight
			Express and Mail
			Car Service
		Other Sources {	Interest and Rents
			Surplus of previous year

4. Operating Expenses . . . . .	{	General Expenses
		Traffic Department Expenses
		Maintenance of Way
		Maintenance of Engines and Cars
		Conducting Transportation

5. Fixed Charges . . . . .	{	Interest
		Rentals
		Taxes
		Franchise Charges

	Cost of Road
	Cost of Equipment
	Real Estate and Buildings
	Stocks and Bonds
	Franchise
	Other Permanent Investments
6. Balance Sheet Assets . . . . .	Cash on Hand
	Bills Receivable
	Open Accounts
	Material and Supplies
	Sinking Fund
	Sundries
	Profit and Loss (Surplus)
	Capital Stock (Preferred and Common)
	Funded Debt
	Interest Due and Accrued
	Dividends Unpaid
7. Balance Sheet Liabilities . . . . .	Audited Vouchers (Ready for Payment)
	Pay-Rolls (Unpaid)
	Open Accounts
	Bills Payable
	Sundries
	Profit and Loss (Deficit)
	Deficit of Previous Year

### Interstate Commerce.

The theory under which the Interstate Commerce Law was framed, contemplated the maintenance of the independent existence of railway corporations, subject to such organic changes as their owners might from time to time accomplish by contract among themselves in subordination to the laws of the several states under which they held their various charters, and all working together under a uniform national control. The maintenance of through routes and of through tariffs was provided for, and it was expressly made unlawful for any common carrier in any manner to prevent the continuous carriage of freight from the place of shipment to the place of destination. All agreements between the various railway associations are required by law to be filed with the Interstate Commerce Commission. The fundamental purpose of the Interstate Commerce Law is the prevention of discrimination of every form. Before its enactment unjustifiable discriminations were made between business houses and between different towns or localities; also by the secret cutting of rates and by systems of rebates; also by the granting of free passes. These abuses have been greatly reduced through the action of this Federal law. It requires the establishment and publication by carriers of tariffs showing rates, fares, and charges for all interstate carriage of passengers and freight. These tariffs are filed with the commission and must be absolutely adhered to.

**Railway Management.**

The president is the executive head of the company and with the aid of a board of directors he directs the general policy of the road. There are also vice-presidents and general managers who have much of the active management in charge. The superintendent of the roadway keeps the road in good condition. The superintendent of transportation has charge of the handling of trains. The superintendent of machinery has charge of the construction and maintenance of all rolling stock, and is assisted by the master car builder. The traffic manager or general freight and passenger agent has charge of the making of rates and the solicitation of business. The comptroller has charge of the accounts. The paymaster receives money from the treasurer and disburses it under the direction of the comptroller. Then there are real estate departments, legal departments, purchasing departments, operating departments, roadway departments, etc. The officers of a very large railway company are given here in tabulated form:

1. President
2. Vice-President
3. General Manager
4. Secretary
5. Treasurer
6. Counsel
7. Comptroller { Local Auditors  
Traveling Auditors
8. Purchasing Agent—Storekeeper
9. General Superintendent {
 

Station Agent	{ <div style="display: inline-block; vertical-align: top;">             Receiving Clerk              Shipping Clerk              Loading Clerk              Discharging Clerk              Collectors              Laborers           </div>
Yard Master	{ <div style="display: inline-block; vertical-align: top;">             Yard Engineers              Switchman              Conductors              Brakeman           </div>
Train Master	{ <div style="display: inline-block; vertical-align: top;">             Train Despatchers              Operators of the Telegraph              Conductors and Brakemen           </div>
Car Accountant	{ <div style="display: inline-block; vertical-align: top;">             Record Clerks "Foreign and Local"              Mileage "              Lost Car and Tracing Clerks           </div>
10. Supt. of Machinery {
 

Foreman Mch. Shop	{ <div style="display: inline-block; vertical-align: top;">             Engineers and Firemen              Hostlers and Cleaners              Mechanics and Laborers           </div>
Foreman Car Shops	{ <div style="display: inline-block; vertical-align: top;">             Mechanics and Laborers              Greasers              Car Inspectors           </div>

11. Supt. of Roadway	Road Master	Supt. of Bridges	Bridge Foreman Watchman Mason and Carpenter Gang
		Supt. of Road	Section Foreman Gang and Track Walkers Wood and Water Tenders Floating Gang Constructing in Transit
12. Traffic Manager	General Freight Agent	Division Freight Agents Traveling Freight Agents Rate Clerks Tariff Clerks	
		Freight Claim Agent	Register Clerk Investigating Clerk Voucher Clerk Special Agent
	General Passenger Agt	Division Passenger Agent Traveling Passenger Agent Rate Clerk Apportionment Clerk Advertising Agent	

### Baggage Transfers.

Every one in America is familiar with the railway methods of carrying passengers' baggage from one point to another. Usually a bag or trunk can be *checked* from and to the points indicated on the passenger's ticket. In all the large cities there are transfer companies whose agents board in-coming trains and check baggage to the passenger's city destination. The charge for this is usually 25 cents. These transfer companies have offices in the railway depots and usually do the business of taking baggage to and from trains. When trunks are more than the regulation weight an over-weight charge is made. Storage is usually charged when baggage is allowed to remain at a depot more than 24 hours.

### Baggage to Canada.

If the passenger's ticket reads from an American point to a point in Canada or Mexico the accompanying baggage is usually checked only to the point where the railway crosses the border where it is examined by a customs official and re-checked by the baggage master to the passenger's destination. Passengers are expected to claim their baggage at the Canadian or Mexican border and permit the customs officer to see that nothing dutiable is being carried across. This is usually the work of but a few moments. It is quite safe, if late at night, to give your trunk keys and baggage checks to the sleeping-car porter with, of course, a small fee to keep him awake. Baggage is examined by an officer of the country into which the passenger is go-

ing. Sometimes excursion parties to Canadian points have their baggage sent through *in bond* and examined upon their arrival. Unclaimed baggage is held at the border until called for.

#### **Food Staples and Transportation.**

About one-half of the business of this country consists in the production, conversion, transportation, and final sale of articles of food. This consumption of food cannot stop even in the hardest of hard times, because the most productive country is always within about one year of starvation. A part of the food supply is consumed where it is produced but about six times as much become articles of commerce—that is of purchase, sale, and transportation. Western grain is sold by the farmer to the miller or his agent, the flour is sold by the miller to the merchant, by the merchant to the baker; finally the baker sells the bread to the consumer. It has been estimated that twelve tons of food, fuel, fabrics and fibres are moved one hundred and ten miles by steam railways only, for every man, woman, and child of our population, taking no account of transportation by river or canal. Retail transportation by wagons costs more than wholesale transportation by railway. It costs more to deliver the bread by wagon than it does to carry the flour from which it is made 2,000 miles.

#### **Transportation by Express.**

The express business of the country is done by a few very large private corporations. There are six of these the names of which are well known. The United States Express is confined largely to the northeastern portion of the country with leading offices in New York, Philadelphia, Boston, and Chicago. The Wells-Fargo Express has its principal offices in the far west. It also does a large foreign business. The Adams Express covers the eastern states with principal offices in New York, Philadelphia, and Baltimore. The Pacific Express has its principal offices in San Francisco, Galveston, and New Orleans. The Southern Express has its principal offices in New Orleans, Savannah, and Baltimore. The American Express covers the central and eastern states with principal offices in St. Louis, Cincinnati, and Boston. There are many other express companies some of which do a large carrying trade. By mutual arrangement packages are delivered from one company to another where this is necessary for the destination to be reached, and money orders of one company are usually cashed by other companies, so that in reality the public is as well served by a

number of companies as it would be if all were under one management. In some instances the express companies build and own their own cars. The charges are higher than transportation by freight, but quicker and better service is rendered.

#### Merchandise by Express.

When ordering goods to be delivered by express give the address precisely. Country residents in particular, often receive mail at one office and express at another. Express charges vary according to the character and weight of the article and the distance to be carried. As a rule the charges may be prepaid or not, as the sender prefers; but on long distances advance

FORM No. 151.		<b>ADAMS EXPRESS COMPANY.</b>		No. <u>189</u>
Bill for Collection, <u>\$ 1.00</u>		<b>C.O.D.</b>		Philadelphia, Pa. <u>Jan 13</u> 189
Charges for returning Money, <u>\$ .15</u>		Total Amount, <u>\$ 10.15</u>		For <u>Transfer to my order</u>
On <u>W. C. Hindertman</u>		By <u>Adams</u>		PHILADELPHIA, PA.
When Presented, <u>1/18</u>		When Paid, <u>1/18</u>		Goods billed to <u>1/18</u>

payment is sometimes required. Express agents will always give a receipt for the packages taken into their charge if so requested, and the possession of such receipt may be of particular value when a package has been damaged, delayed or lost by the way. The address of the sender should always appear on the outside. The receiver of an express parcel is obliged to sign a receipt when he takes it from the express company. The word "collect" written on the lower left-hand corner of a C. O. D. invoice, indicates that the expressman is to collect from the receiver of the parcel not only its C. O. D. value and express charges, if not paid in advance, but the small fee which the company charges for carrying the money back to the shipper. The accompanying illustration is a reduced photo-engraving of a return C. O. D. envelope.

#### **Money by Express.**

The great bulk of the money, that is, the actual coin and bills, carried from one point to another, except that carried in the pockets of individuals, is carried by the express companies. A leading express company carries money for the United States government at the very low rate of fifteen cents for every \$1,000 in greenbacks. The profit is made out of the large shipments. In 1889 this company carried at one time \$15,000,000 from Washington to New York, in bills of large denominations packed in two small wooden boxes. The fee was \$2,250 and the actual expense less than \$25. On another occasion this same company carried at one time seven million dollars in gold from Philadelphia to New York. For this shipment the express company received \$3,500. The express companies do a great deal of the carrying trade for banks. Money may be sent from any one point to any other through the express companies at a very small expense. The express agent will furnish you with a special envelope in which to place your bills. When properly addressed he will put a cord through the center of the envelope and bills and after tying will seal the cord to the envelope in such a way that a bill cannot possibly be taken from the package without breaking the seal. This method is absolutely safe for although the express company does not take a record of the amount of money which you enclose, they guarantee the safe delivery of the parcel in the secure condition in which you see it leave their hands.

#### **Transportation of Mail.**

It costs about fifty millions of dollars annually to transport the

United States mails. This sum is spent simply for carrying the mails. The *star service* is that which is let under contract without reference to the mode of transportation other than that the mails shall be carried with "celerity, certainty, and security." It includes nearly all of the inland service that is not performed by railroads, steamboats, or mail messengers. The system of star routes, starting from railroads as bases of supply and reaching out to the most remote settlements, comes nearer to the people in rural communities than any other branch of mail transportation. The total length of star-service routes in 1895 amounted to about 260,000 miles. The regulation wagon service provides for the transporting of the mails in the largest cities. The total mileage of steamboat service wholly within the United States is about 10,000. There are in operation nearly 3,000 railroad routes, aggregating 175,000 miles in

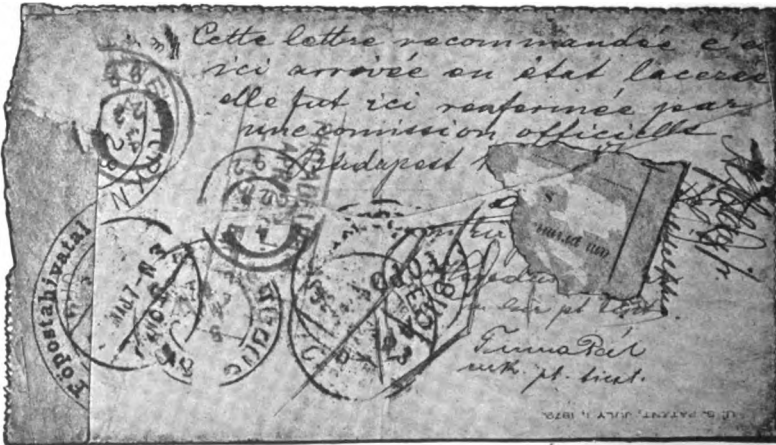




length. The government pays \$42.75 per annum for carrying 200 pounds of mail daily per mile of route. For 500 pounds \$64.12 is paid, for 1,000 pounds, \$85.50, and so on. Land grant railroads



receive 20 per cent. less than these rates. The electric car is becoming each year a more important factor in mail transportation. The



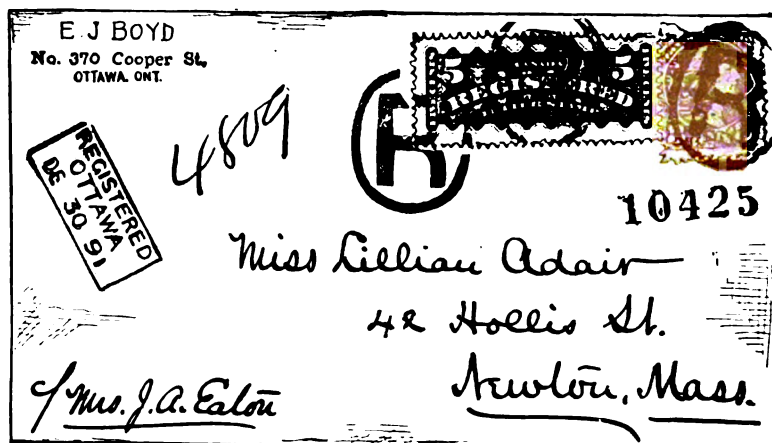
seaport offices maintained on several of the fastest ocean steamers, are a valuable and indispensable feature of foreign mail transportation. Under the existing regulations of the universal postal union, an

ordinary letter may now customarily go, at an expense of only five cents, to almost any place in the civilized world, carried there by the most rapid means of conveyance, its privacy uninvaded, its safety zealously cared for, and its delivery into the hands of him for whom it is intended, practically guaranteed. It may traverse country after country in its journey, and may, as a rule, exact the fullest accessory service from the government of each in hastening it to its destination, without other cost than that comprehended in the little postage stamp affixed to it by the sender when he starts it on its travels. Moreover, every nation included in the postal union is obligated to receive and



safely carry to its own boundary, in bulk, all mails, however great, sent to it for transmission to countries beyond, at charges plainly laid down, and under conditions admitting of ready international settlement. One of the main instrumentalities by which this almost ideal condition of things has been brought about is the assembling, once every five years, of what is known as the "Universal Postal Congress," made up of representatives of nearly all the nations of the world, by whom are discussed all defects, if any, of system or service, by whose votes all practicable improvements are inaugurated, and in whose deliberations such a spirit of fraternity usually prevails that self-seeking is

almost unheard of. Every one has at some time or another received a letter which through an error in the address or for some other cause went to the wrong post-office or to some other person. The effort made by



the post-office department to find the right person is usually shown by the number of suggested addresses prefixed by "Try" which appear on



the face. We take the liberty of reproducing by photo-engraving on a preceding page, a copy of the envelope of such a letter. It was originally sent from a point in the United States to a European address. The

effort made by foreign post office officials to find the owner is clearly outlined in the abundant stamping and writing which can be seen on the front and back of the envelope.

#### Money by Registered Mail.

Every country in the postal union has a registered mail service. Our illustrations show photo-copies of registered letters from British Honduras, the island of Cyprus, Canada, Italy, and other places. It is interesting to note the peculiar stamping of these letters showing the

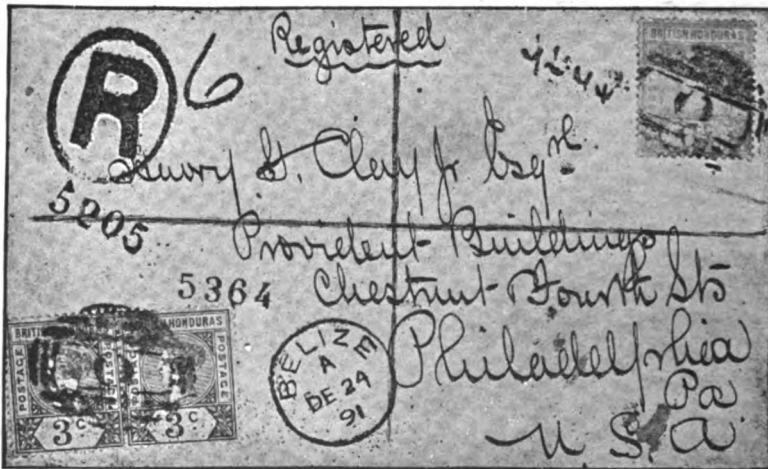


records taken of them and the care with which they are handled. In many countries a special heavy linen envelope is used and special care is taken in sealing. In this country money or other valuables may be sent by registered mail from any post office in the country. Besides the address, the letter or parcel to be registered must have the name and address of the sender plainly written or printed upon it. The registration fee is eight cents in addition to the regular postage. The sender receives a receipt from the postmaster, and for all registered letters or packages lost, not exceeding \$10. in value is entitled to reimbursement by the postal authorities.

For this reason it is safer to send money by express than by mail, for the number of registered packages stolen yearly is quite large although small in comparison with the large number handled. In the United States thousands of dollars are sent daily through the mails in small amounts in unregistered letters. This cannot be said of the mail of foreign countries where the people are not accustomed to take the risks which are every-day matters with our people.

#### Other Methods of Sending Money.

There are several comparatively safe methods of sending money from one point to another. Checks and bank drafts are most common. The post office department provides *money orders* for sums not exceeding



\$100 at a very small expense depending upon the amount of the order. These orders are simply drafts by a postmaster at one place on a postmaster at another, asking him to pay a particular person the sum named in the order. The actual money is not transmitted. The order, which you enclose in your letter, contains the name of the person to whom the money is to be paid, but not the name of the sender. The postmaster issuing the order sends to the postmaster upon whom the order is drawn a blank advising him of the particulars of the order, its number, and the name of the person who bought it. The postmaster on whom the order is drawn will not pay the order until he has received the *advice* and until he has satisfied himself as to the identity of the

person to whom the money is to be paid. To obtain a money order it is necessary to fill out a printed blank provided for the purpose at the post office. In filling out this blank be careful to write the names asked for correctly. When paying a money order the postmaster asks the person receiving the money to receipt the order. A post office money order may be transferred by endorsement, but only once. A blank form is printed on the back. In case of the loss of a money order a duplicate will be issued if application is made to either the issuing or the paying postmaster. The duplicate will be issued by the department at Washington and forwarded to the person making application. All the leading express companies issue *express money orders* payable at any of the larger offices of these companies. They are negotiable anywhere and banking institutions take them on deposit as they do checks and bank drafts. Any person can buy an express money order by simply paying the amount of the order and the small fee to the express agent. It is necessary sometimes to send *money by telegraph*. This is more expensive than other methods. Only the larger telegraph offices are money order offices. The rate is one per cent. of the amount of the order plus double the tolls on a single message of fifteen words between the transfer places.

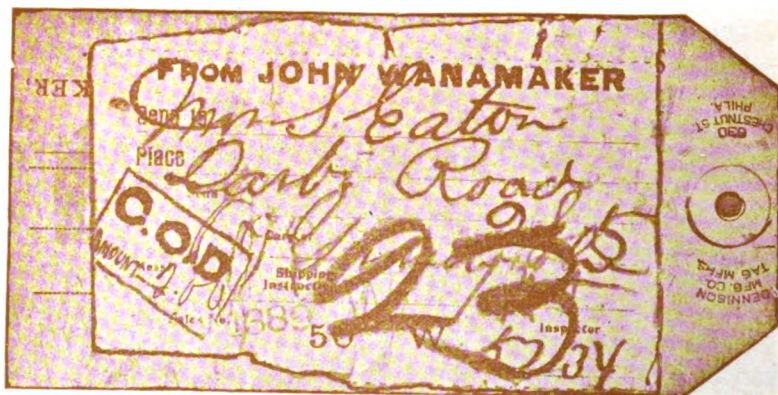


#### **Parcel Delivery.**

The delivery of parcels has come to be quite an important business in large cities. There are private companies who deliver parcels and and messages to any part of the city for a small consideration, usually five or ten cents according to the size of the parcel or the distance to be covered. The railways in connection with such companies carry parcels into suburban towns. In this way by paying five or ten cents additional one can have a parcel delivered ten or twenty miles from the point where it was purchased. The smaller stores deliver all their out-of-town parcels to the parcel companies. The accompanying engraving shows a kind of delivery stamp in use in Philadelphia. The use of these stamps is an advantage to the merchant for the reason that he can



buy them as he would postage. They are also of great convenience to the delivery company. The larger business houses deliver daily by wagons within certain distances, and to points ten or twelve miles distant on certain days. The accompanying illustration is a copy of a delivery tag from a parcel delivered from John Wanamaker's immense establishment. With from five to ten thousand salesmen and women and from fifty to one hundred thousand customers daily the system of packing, checking, and delivery with rarely a blunder must be almost perfect. The time may not be far distant when parcels as well as mail



will be shot through tubes at lightning speed, when we can telephone ten miles for our breakfast steak and in five minutes have it drop from a tube to our kitchen table.

#### **Transportation by Water.**

By the provisions of the United States Constitution the Federal courts have jurisdiction of questions involving maritime matters and shipping interests generally. A ship is personal property and when sold, a bill of sale should be recorded in the custom house of the port where the ship is registered or enrolled. The captain or master of a ship in serious distress and without opportunity to communicate with the owners of the cargo can mortgage the cargo no matter to whom it belongs, or he can throw the cargo overboard to save the vessel or its passengers. The captain of a vessel must, within a certain number of hours after arrival at any port and before "bulk is broken," deliver to the customs officer the *ship's report* or *manifest*. This is a declaration of her cargo and the stores existing on board, the whole drawn up in a

prescribed form, and signed by the captain. The captain of a ship preparing to sail must have her entered outwards at the custom house before taking any cargo on board. When the cargo is completed, the captain is delivered a *manifest* of the goods shipped, and, upon approval, the vessel is *cleared* outwards. The regulations as to transportation, bills of lading, etc., are similar to those applying to railways and other *common carriers*. When two vessels are approaching each other, the one going *free* must give way to the one *close-hauled*. If they are both free or close-hauled, each must go to the right. Sailing vessels need not change their course, as they have the right of way over steamers. The captain of a ship has absolute control of the crew and the passengers. Outgoing vessels must have on board *shipping articles* which describe the voyage for which the sailors ship, and the terms on which they ship. These must be signed by each sailor on penalty of a fine. A ship coming into port is obliged to take the first *pilot* that offers. The captain is not responsible while the pilot is in charge.

#### **Salvage.**

By *salvage* is meant the compensation which is given to persons or vessels that voluntarily assist in saving either ship or cargo, wrecked, or in danger of being wrecked. The amount of salvage to be given is fixed in each instance by the United States Court, and sometimes is very large.

#### **Dunnage.**

It is usually the duty of the first mate to attend to the *dunnaging*, chocking, and securing of the cargo. By *dunnage* is meant the wood-packing placed between the cargo and the sides and bottom of the ship.

#### **Log-book.**

Ships are required by law to keep what is known as *log-books* in which are written a full account of the voyage, the daily locations of latitude and longitude, and the names and addresses of passengers and crew.

#### **Entering Port.**

Vessels entering American ports are boarded by custom house officials who examine the cargo and superintend its delivery. Inspectors may board vessels, not only in port, but within four leagues of the coast, if bound inland, for the purpose of demanding manifests and of examining and searching the vessels.



**Quarantine.**

The quarantine regulations of United States ports are very exacting. These come under the control of state Boards of Health and differ somewhat in different ports. The quarantine station is usually located outside the harbor and vessels cannot enter until they get a certificate of health from the quarantine officer. The captain is obliged under penalty to furnish the health officer with complete and correct information regarding the sanitary condition of his vessel. No vessel from a foreign port must attempt to approach a port of entry until the health officer has granted his permit, nor can any person leave the vessel which has not been visited by such officer, without permission. Where no contagious disease is found to exist on board, and where the vessel does not come from an infected place, a certificate will be promptly given, and the vessel permitted to proceed.

**Wharfage.**

It is lawful and customary to charge and receive wharfage or dockage, from every vessel that makes fast to any pier, wharf, or bulkhead. Local regulations differ, and some cities grant free wharfage to encourage shipping.

**Clearance at Consulate.**

Having *cleared* at the custom house, the captain of a foreign vessel is then required to clear at the Consulate of his country. For this purpose he must produce to the Consul his certificate of clearance from the customs, as, until the production by him of this certificate, the Consul is not permitted to part with the certificate of registry which was lodged with him upon the ship's arrival and which the vessel cannot enter another port without. It is customary for the Consul to attach to the custom house clearance a certificate of his own, signed with his official signature, and bearing the seal of the Consulate, setting forth that the vessel has been entered and cleared according to law.

### EXAMINATION QUESTIONS.

1. Give some account of the early methods of transportation.
2. Enumerate some of the advantages to civilization of the modern facilities for speedy and safe transportation.
3. "On the whole, cheapened transportation is more uniformly beneficial to the consumer; its temporary advantage to the producer very often leads to overproduction."

Discuss this statement.

4. Which should have the strongest influence in determining the business to be carried on in a particular place, 1. the location of the place, 2. its natural advantages independent of its location?
5. Give reasons for the rapid growth of large cities at the expense of smaller places.
6. Can you give any good reason for the fact that transportation rates are lower in Europe than in America?
7. Enumerate some of the abuses of rate discrimination in the United States and tell how they are met.
8. What are the advantages to the public of the freight organizations which arrange for *through* service?
9. In a legal sense what is meant by a *common carrier*?
10. A stage runs daily from A to B. Mr. Brown wishes to ride from A to B but the driver refuses to carry him. Is the stage company liable?
11. What is a *bill of lading*? How does it differ from a *shipper's receipt*? Is a *shipper's receipt* negotiable?
12. What is a *way-bill*?
13. Who are the three parties to a *bill of lading*?
14. Is the transportation company obliged to know the contents of the cases shipped? If not, how are they classified under first, second, or third class freight?
15. When a merchant is unable to insert the name of the consignee at the time the *bill of lading* is made out, how does he draw up the bill? Who is the *consignee*?

16. What are the advantages to the shipper of the *bill-to-order* system?
17. Freight is shipped from A through B a junction point to C. From A to B it is carried over one road and from B to C over another. Explain fully the method of adjusting the freight between the two roads.
18. Explain in detail the methods adopted by leading and competing railway lines to regulate and adjust freight rates.
19. How is freight classified? Why does it cost less to bring a ton of wheat from Minneapolis to New York than a ton of paper?
20. Why was the Interstate Commerce Act passed? Enumerate the chief abuses corrected by it.
21. Explain fully the application of the term *differential* to freight regulations. Name a *differential* line between New York and Chicago. Name the three *standard* lines between New York and Chicago.
22. How are (1) *through*, (2) *local* passenger rates regulated?
23. Explain the use of *mileage book tickets*.
24. What is meant by a *stop-off* privilege?
25. What are *ticket-scalpers*? Where do they secure their tickets?
26. Enumerate the chief things to be considered by a transportation company in making a schedule of freight rates.
27. Freight is consigned to A in care of B. Under what conditions can A secure the freight?
28. In the annual statement of a railway company the following items appear: *Cost of Equipment*; *Deficit of Previous Year*; *Dividends Unpaid*; *Franchise*; *Sinking Fund*; *Capital Stock*. Which are resources and which liabilities?
29. Give in detail the leading officers of a railway company and an outline of the duties of each.
30. How is passengers' baggage transported from one point to another? When is it necessary to pay *extra* baggage? What weight of baggage is allowed? If a trunk is lost through the carelessness of the company what amount of damages can be collected?
31. Tell something about the business of the *transfer companies*.

32. How long may baggage remain at a depot before storage is charged?

33. A traveler buys a ticket in Albany, N. Y., for Guelph, Ont. He finds that his baggage is checked only to Niagara Falls. Explain the reason for this.

34. "It costs more to deliver the bread by wagon to the consumer than to carry the flour from which it is made, 2,000 miles."

Account for the truth of this statement.

35. Name the leading express companies of the United States.

36. Compare *mail*, *express*, and *freight* transportation.

37. Give some particulars of the C. O. D. express business. What is the significance of the word *collect* written on the lower left-hand corner of a C. O. D. invoice?

38. What methods have been adopted by the express companies for the safe transportation of money from one point to another?

39. About how much does it cost annually to transport the U. S. Mails?

40. What is meant by the *star service* in mail transportation?

41. Give some particulars of mail service under

1. The registry system.
2. The special delivery system.
3. The money order system.

42. The government pays \$42.75 per annum for carrying 200 pounds of mail daily per mile of route. A certain railway carries an average of 855 pounds of mail daily for the months of June, July, and August. How much should be received for the service?

43. What is meant by the *Universal Postal Union*?

44. Describe in detail the several common methods of sending money from one point to another.

45. A telegraphic message from A to B costs 40 cents for ten words and 3 cents for each additional word. What will it cost to *wire* \$250 from A to B?

46. Give some particulars of the parcel delivery systems of our *live* cities.

47. A merchant sends \$1,000 worth of goods from A to B by

steamer and another \$1,000 worth from A to B by rail. The steamer becomes disabled and the merchant's goods are thrown overboard. The train is wrecked and the goods are totally destroyed. Has the merchant equal claims against the transportation companies?

48. What is meant by

1. Breaking bulk?
2. The ship's manifest?
3. Clearing outwards?
4. Close-hauled?
5. Shipping articles?
6. Dunnage?
7. The log-book?
8. Salvage?
9. Wharfage?
10. Certificate of registry?

49. Why and under what authority are vessels from foreign ports detained at *quarantine* upon arrival at New York or other seaport cities?

50. Give in detail the official duties of a captain, (1) upon entering port, (2) when about to clear.

51. "The question of the demoralization of railway rates is as important as the tariff or the currency question, and is worthy of Presidential proclamation. The transportation rate fixes the price of every commodity, whether raw material or manufactured. Therefore, rates by all lines from all points similarly situated to all places similarly situated should be the same, and should be as well known to the public as the postage upon a letter. Then no advantage could be secured by the rich shipper or the great trust over the enterprising neighbor who has less capital but equal ability."—*Chauncey M. Depew*.

Show how the transportation rate fixes the price of commodities, and discuss fully Mr. Depew's statement.

52. Would the Mississippi River serve larger transportation interests if its course were east and west instead of north and south?

53. Locate the following canals and give some particulars of their advantages to commerce: Kiel; Suez; "Soo;" and Manchester.



## **Life, Fire, Marine, and Indemnity Insurance.**

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### **Antiquity of Insurance.**

We find some evidence of the existence of insurance associations as far back as the Punic Wars between Rome and Carthage when the government of Rome guaranteed the transportation concerns against loss by storm or the enemy. Spain and Portugal dispute the real credit of having invented insurance as a practical business. About the beginning of the fifteenth century marine insurance was pretty generally understood and made use of by the great maritime concerns of Spain and Portugal. Following marine insurance which was soon adopted by other nations, came life insurance against which there was a strong prejudice from the beginning. It seemed to be setting a premium upon murder to insure a man's life, and society was in altogether too lawless a condition four hundred years ago to make it judicious to offer any inducements for life destruction. Some of the largest insurance associations of Great Britain have a history of nearly two hundred years.

### **Principles of Insurance.**

It is the purpose of the state and of good government to aid and protect its citizens, but there are all kinds of losses, accidents, storms, panics, etc., which it is impossible for even the best governed state to protect its people against. These losses and accidents cannot be wholly prevented and the many must bear the burden of the few and that the many may do this in a legal and business-like way, the various

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forms of insurance have been instituted. A loss which is distributed among many is scarcely felt by each individual. The majority of families are not so well provided with means that they can endure without financial suffering the loss by fire or shipwreck of their property, or by death of the head of the household. Statistics play an important part in insurance estimates. The insurance association can estimate from years of careful records, almost absolutely, as to how large their losses will be in any given year.

#### **Systems of Insurance.**

In modern times the forms and systems of insurance have multiplied greatly. There are, however, two general divisions, namely, the *mutual*, and the *industrial*. In mutual insurance every policy holder is a member of the association. In the industrial system the insurance company is a stock-company and for certain premiums it insures those who have no connection whatever with the concern as a corporation. The mutual insurance system needs no capital stock. The means of repairing losses comes exclusively from the contributions, or premiums, of its members. The various labor and benevolent organizations have systems of mutual insurance. In case of death every member is liable to an assessment which varies in amount. If the assessment is not paid the policy is forfeited. The larger mutual companies have fixed premiums payable at stated intervals and in their management, they are similar to the industrial companies. In the larger mutual companies the yearly surplus—that is, the receipts from fixed premiums, over and above, the loss claims and expenses—is either added to a reserve fund, or is treated as a profit and is deducted proportionately from the next annual premiums of the various members. In the industrial system the premium is a fixed sum, by the payment of which the insured party secures the right of complete restitution under all circumstances, and nothing more. If the premiums amount to more than the losses, the surplus belongs to the company and not to the policy holders. If the premiums are less than the actual loss, the company must meet the loss. It makes no difference to the insured whether there are many or few accidents, whether the damage done is great or small. There are now insurance companies covering all kinds of risks—from death, accident, fire, flood, hail, breakage, embezzlement, etc.

#### **Fire Insurance.**

Fire insurance covers those losses of property which occur through the destructive agencies of fire. In the valuation of buildings the cost

[illegible]



of rebuilding in the case of total destruction is the basis of estimate. There are various matters which enter into consideration in fixing the insurance rate; such as the style of the building, whether more or less fire-proof; the business which is conducted in it; the condition of the building and its surroundings; and the condition of the local fire companies and their facilities for putting out fires. Builders are divided by an association of insurers, called *underwriters*, into several different classes, according to these circumstances, and the premiums are graded accordingly. It is customary to make up the whole amount of insurance by distributing it among several companies. The losses are then settled upon the average principle. When a fire occurs the insured gives immediate notice and renders a sworn statement of his losses. The insurance company usually reserves the right to take the whole or any part of the damaged property. Cash or its equivalent in securities or books of accounts cannot be insured. The only safe place for these is fire-proof vaults. The average clause referred to reads as follows:

"This company shall be liable only for such rateable proportion of the loss or damage happening to the subject insured, as the amount insured by this company shall bear to the whole amount insured thereon, without reference to the dates of the different policies, or the solvency of the underwriters; and the amount to be paid shall not in the aggregate exceed the amount insured by this policy."

A building worth \$100,000 is insured with A, for \$40,000, with B, for \$20,000, and with C, for \$30,000. Two days after the policy with B. expires, a fire occurs, damaging the building to the extent of \$50,000. Nothing can be collected from B. The building was insured for nine-tenths of its value, and had the policy with B not expired, \$45,000 could have been collected. Of this sum A would have paid \$20,000, B, \$10,000, and C, \$15,000. As it stands, the owner's actual loss will be \$15,000.

#### **Marine Insurance.**

This insures against the accidents which may happen to a ship, or against the loss or damage of its cargo. There are companies of underwriters in London, New York, and other cities who keep experts in large seaboard cities throughout the world, whose business it is to investigate every ship coming in as to condition and seaworthiness. On the basis of the information received from these experts all ships are classified yearly, and this information is open to marine insurance companies the world over. It is a sort of marine mercantile agency.



The amount of insurance on a cargo is measured by the invoice value of the commodities, plus the costs of transportation to the place of destination, plus the insurance premium. The insurer of the cargo is not

[illegible]

usually liable for loss through the unseaworthy condition of the vessel. Policies on cargoes are issued for a certain voyage, or from port to port, and on vessels for a specified time or for a certain voyage. The

adjustment of marine losses is on the same principle as the adjustment of fire policies containing the average clause.

#### **Life Insurance.**

There is a marked difference between life insurance and other kinds of insurance. The insurance of houses and goods against fire is a contract of indemnity against loss, and in like manner an insurance on human life may be considered as indemnifying a man's family or creditors or others interested against the loss of future income occasioned by death. But it does not necessarily take the value of such income into account, nor does it relate to any intrinsic value of the subject of insurance, which is the life of the insured party. Again, in fire or marine insurance the loss may be only partial, while in life insurance, the loss, if it occurs must be total. And again in life insurance, the event is certain to occur, and the time of its happening is the only contingent element. A person is permitted to insure not only his own life but also that of another, although it is taken for granted that he has some special interest in the life of the insured party, growing out of business or other relationship. The insured party, may contract that the sum insured him shall be paid to him during his life, after reaching a certain age. Life insurance has many very important advantages over other methods of saving. It secures to the individual a substitute for the guarantee of life which he can never have, by put-



ting him in a condition in which the advantages connected with an average length of life are assured him, and by fixing his services with reference thereto; it keeps him from touching the savings accumulated, by depriving him of control of them; it prevents him from growing negligent in his economy by making him lose all or part of what he has saved if he fails to pay his premiums. The pecuniary means of meeting their obligations are derived by the insurance associations from several sources: first, from the annual premiums which vary according to the conditions of the insurance; secondly, from temporary insurance, lapsed policies, and from the income from judicious investments. Exact information as to the expectation of life at different ages is furnished to a satisfactory degree by statistics. Statistical observations on the rate of mortality at various ages, and on the average duration of life, are tabulated in the mortality tables, which, beginning with a fixed number of persons of the same age, show for each year the proportion of deaths in that number and the expectation of life of the survivors. These tables date back 200 years and the results vary very little. Weak and sickly persons, particularly those suffering from chronic diseases, as well as those engaged in dangerous occupations, are very properly excluded from insurance. The *reserve fund* is an object of great importance to life insurance companies. Those who take out policies for life or for a period of years continue to pay the same annual premium which was fixed with reference to their age at beginning. They ought really to pay a lower premium at first, and as they grow older, a higher one. As a matter of fact they pay in excess of the average rate of mortality and at advanced age their premiums are much below the demands of the advanced-age mortality. To meet this contingency the insurance companies set aside the excesses of the earlier years as a reserve fund, as one of the necessary conditions of a continued existence. The following table of insurance represents the maximum rates of the leading New York companies:

LIFE POLICIES.						ENDOWMENT POLICIES.				
Insurance payable at death only.						Premiums payable annually for 10 years.				
Age.	Premiums payable annually for				Single Payment.	Insurance payable as stated, or at death if it occur earlier.			Age.	
	Life.	20 years.	15 years.	10 years.		In 20 years.	In 15 years.	In 10 years.		
25	\$19.89	\$27.39	\$32.34	\$42.56	\$326.58	\$75.39	\$87.92	\$103.91	25	
26	20.40	27.93	32.97	43.37	332.58	75.54	88.05	104.03	26	
27	20.93	28.50	33.62	44.22	338.83	75.71	88.19	104.16	27	
28	21.48	29.09	34.31	45.10	345.31	75.89	88.34	104.29	28	
29	22.07	29.71	35.02	46.02	352.05	76.08	88.50	104.43	29	
30	22.70	30.36	35.76	46.97	359.05	76.29	88.67	104.58	30	
31	23.35	31.03	36.54	47.98	366.33	76.52	88.86	104.75	31	
32	24.05	31.74	37.35	49.02	373.89	76.76	89.06	104.92	32	
33	24.78	32.48	38.20	50.10	381.73	77.02	89.27	105.11	33	
34	25.56	33.26	39.09	51.22	389.88	77.30	89.50	105.31	34	
35	26.38	34.08	40.01	52.40	398.14	77.62	89.75	105.53	35	
36	27.25	34.93	40.98	53.63	407.11	77.95	90.02	105.75	36	
37	28.17	35.83	42.00	54.91	416.21	78.33	90.31	106.00	37	
38	29.15	36.78	43.06	56.24	425.64	78.73	90.63	106.28	38	
39	30.19	37.78	44.17	57.63	435.42	79.18	90.98	106.58	39	
40	31.30	38.83	45.33	59.09	445.55	79.68	91.37	106.96	40	
41	32.47	39.93	46.56	60.60	456.04	80.23	91.79	107.26	41	
42	33.72	41.10	47.84	62.19	466.89	80.83	92.26	107.65	42	
43	35.05	42.34	49.19	63.84	478.11	81.49	92.78	108.08	43	
44	36.46	43.64	50.61	65.57	489.71	82.22	93.34	108.55	44	
45	37.97	45.03	52.11	67.37	501.69	83.03	93.97	109.07	45	
46	39.58	46.50	53.68	69.26	514.04	83.93	94.67	109.65	46	
47	41.30	48.07	55.35	71.25	526.78	84.92	95.46	110.30	47	
48	43.13	49.73	57.10	73.32	539.88	86.02	96.31	111.01	48	
49	45.09	51.50	58.95	75.49	553.33	87.22	97.27	111.81	49	
50	47.18	53.38	60.91	77.77	567.13	88.54	98.32	112.68	50	

Surplus premiums or dividends are returned annually commencing at the payment of the second premium. Policies which do not share in the dividends of the company, are issued at a somewhat lower rate. The above rates are for annual payments only. To obtain semi annual payments, add 4 per cent. and divide by 2. To obtain quarterly payments, add 6 per cent. and divide by 4.

#### Accident Insurance.

Accident insurance does not date back more than fifty years. We first find mention of a company formed in London in 1849 for insuring against railway accidents. At present there are a great many companies representing much capital which insure against all kinds of acci-





merchants against loss by bad debts, and others to insure builders and contractors against accidents to their employees. Almost every conceivable kind of risk is now covered by insurance in some form or other.

*Limit \$*

*Capital Paid \$1,000,000.00*

**The Guarantors**  
CASUALTY  
INDEMNITY  
RICHARD E. LORER  
General Manager

**LIABILITY INDEMNITY COMPANY**  
OF PENNSYLVANIA, INC.

*INCORPORATED UNDER LAWS OF PENNSYLVANIA*

*Head Office  
775 Chestnut Street  
PHILADELPHIA*

*Whereas*  
*hereinafter called the Assured, applied to The Guarantors Liability Indemnity Company of Pennsylvania, hereinafter called the Company for an Indemnity Insurance Contract as per application of the Assured in file in the Head Office of the Company. Therefore, in consideration of the warranties made in said application and the sum of* *dollars \$*  
*The Guarantors Liability Indemnity Company of Pennsylvania hereby indemnifies the Assured as per form attached hereto.*

**THIS CONTRACT SHALL APPLY TO CASUALTY HAPPENING BETWEEN THE \_\_\_\_\_ DAY OF \_\_\_\_\_, 19\_\_\_\_, AT \_\_\_\_\_, IN \_\_\_\_\_, AND THE \_\_\_\_\_ DAY OF \_\_\_\_\_, 19\_\_\_\_, AT \_\_\_\_\_.**

**It is expressly agreed:** That at all reasonable times, ample facilities shall be afforded to the Company to inspect all buildings, boilers, machinery and the plant, whether a loss has occurred or not.

That in case of a loss under this policy the Company shall be subrogated to all the claims or rights of the Assured against any third party or parties, in respect to such loss, and the Assured will execute any and all papers required to insure to the Company said rights.

That if there shall be any other liability occurring in any claim for loss, the Company shall be liable only to the extent set forth.

That this Contract shall not be assigned, except by consent of the Company, evidenced by the endorsement of such consent, signed by the officers or General Manager of the Company.

That no portion of this contract can be in any way waived or altered by any representative of the Company, unless such waiver or alteration is endorsed thereon and signed by the officers or General Manager of the Company.

That the Company shall not be liable for any casualty which may be caused by means of an explosion, insurrection, riot, civil or military commotion, by violation of law or by order of any military or warlike power.

That the indemnity hereby assured is payable within ten days from date of filing the sworn proofs of loss, as hereinafter provided, at the office of the Company in the City of Philadelphia.

In Witness Whereof: *The Guarantors Liability Indemnity Company of Pennsylvania* has caused these presents to be signed by its President, Secretary and General Manager, but said shall not be binding upon the Company until countersigned by their duly authorized and commissioned agent as:

*Wm. M. Cooper*  
President

*William H. Kerner*  
Secretary

*John H. Kerner*  
General Manager

Countersigned by \_\_\_\_\_  
Authorized and Commissioned Agent

### Insurance Terms.

The written contract of insurance with its various conditions is termed the *policy*. It contains a description of the property or person therein insured, the cost of the insurance, the amount of indemnity to



be paid, etc. The *premium* is the sum paid by the insured to the insurer for the risk which the latter assumes. In fire insurance the premium is quoted at a certain rate upon \$1,000 insurance for one year or for five years. An ordinary dwelling in a good location would be charged from \$5 to \$7.50 per \$1,000 for a period of five years. *Short-rates* are rates for a term less than a year. The *insurance agent* is the person who represents the insurance company. Insurance *brokers* usually represent several companies. An *open policy* is one upon which additional insurance may be entered at different times. Fire insurance companies issue open policies with pass-books attached for convenient entries of merchandise in daily transportation. Open policies covering all risks are issued to importers who do not always have a definite knowledge of the time of shipment.

#### **Forms of Life Insurance.**

A *straight life* policy is payable only upon the death of the insured and premiums must be continued until death. A *20-year life* policy would be similar to the straight life with the exception that premiums would cease after 20 years. *Endowment* policies are payable at death or at the end of a fixed period to the full extent of the amount insured. *Tontine* policies entitle the holders to a *pro rata* distribution of the excess tontine (lapsed) premiums paid during that period.

#### **Insurance Law.**

It is generally necessary to get the consent of the first company before an insurer can take out a second policy elsewhere. This is not true of life insurance. Any person may insure his own life or property in favor of any one he chooses. A creditor may insure a debtor's life up to the amount of the debt. Any interest in property gives a person possessing such interest the right to insure it, whether he is the true owner or not. A warranty is a statement of fact made by the insured and contained in the policy. If it is incorrect or untrue, the policy is void, and the insured cannot recover his loss, though he has paid his premiums. A false age given in a life-policy, for instance, makes it absolutely void. It is often agreed that if the building insured ceases to be occupied the policy is to be considered suspended. It is, therefore, unwise to leave an insured building vacant. It is generally necessary for the insured to take great care in connection with the heating and lighting arrangements. Extensive alterations in an insured building should not be made without notifying the company. It is often necessary to notify the company if an insurance policy is assigned as

collateral security for a debt. The balance of the insurance in such a case would go to the original owner. There is generally a provision in fire policies that unless proofs of loss are filed in the office of the company within sixty days after the fire, the company will not be liable.

**Lloyd's.**

The name *Lloyd's* is similar in its significance to *Bradstreets*. It is a society composed of underwriters and others interested in shipping. This society has agents in all the seaports of the world to report upon vessels—their arrivals, departures, accidents, sea-worthiness, etc. Lloyd's originally was a coffee house (kept by Edward Lloyd) conveniently situated for merchants and shippers. Thus the custom of meeting for business grew up there and more than 200 years ago a corporate society was formed. Lloyd's is now the most important shipping bureau in the world.

## EXAMINATION QUESTIONS.

1. Give some account of the history and development of the insurance business.

2. To what extent is insurance a compulsory element of the government of Germany and other European countries?

3. How is it possible for insurance companies, especially those doing a *life* and *accident* business, to estimate in advance with any degree of accuracy their losses?

4. Enumerate a few of the many systems of insurance now in operation in this country.

5. Distinguish between *mutual* and *industrial* companies.

6. Why is it that the mutual insurance company needs no capital stock? Give instances of mutual companies.

7. Name three leading

1. life insurance companies.

2. fire insurance companies.

3. accident insurance companies.

8. What is the *surplus fund* of an insurance company? How is it applied in mutual companies? How in industrial?

9. What is the *policy*? What is the *premium*?

10. The death rate of a community or nation is doubled. How will it affect (1) mutual life policy holders, (2) industrial life policy holders?

11. What is necessary, when a fire occurs, to secure the insurance?

12. Quote the average clause usually found in fire insurance policies.

13. Goods worth \$50,000 are insured for \$20,000 and are damaged by fire to the extent of \$30,000. Will the company be obliged to pay the full \$20,000?

14. How do marine insurance companies secure ratings as to the seaworthy character of vessels?

15. Is it customary to insure a ship's cargo for more than its value?

16. Enumerate some of the economic advantages of life insurance  
(180)

17. From what is the income and resources of a life insurance company usually derived?

18. From the table given find the quarterly premium for a \$5,000 life policy payable in 10 years taken at the age of 48.

19. Distinguish between *annuity* insurance and *life* insurance.

20. What general name is given to insurance company associations?

21. Distinguish between "straight" life and endowment policies.

22. What is meant by *tontine* as this term is applied to life insurance?

23. A building is valued at \$400,000. It is insured in A for \$20,000, in B for \$30,000, in C for \$40,000, and in D for \$60,000. A fire damages the building to the extent of \$10,000. How much will D be required to pay? If the building were totally destroyed how much would A be required to pay?

24. Stock valued at \$40,000 is insured for \$12,000. It is damaged by water to the extent of \$4,000. Find the loss.

25. A dry goods house had stock on hand January 1, valued at \$500,000. Expect average profit of 20 per cent. Bought between January 1 and July 1 \$100,000. Salesbook shows sales of \$360,000. Stock insured January 1 for \$400,000. Burned July 1; one-half totally destroyed; balance damaged fifty per cent. Find the owner's loss.

26. The following items are taken from the yearly statement of a life insurance company:

Stocks and Bonds, \$103,705,308.67; Policy Reserve, \$139,620,188.00; Surplus due Policy Holders, \$20,249,307.73; Unpaid dividends, \$147,437.07; Loans on Policies, \$4,231,852.93; Accrued Interest Receivable, \$405,663.08; Premiums paid in advance, \$157,415.68; Real Estate Sinking Fund, \$200,000; Loans on Collaterals, \$579,922.00; Premiums due, \$5,571,397.74; Mortgages, \$26,349,724.84; Real Estate, \$14,675,478.98; Death Claims due, \$1,550,382.62; Policy Trust Fund, \$87,039.83.

Arrange these items in a statement showing assets and liabilities which should balance.

27. How is the name *Lloyd's* associated with marine insurance?





## Importing, Exporting, Shipping, and Warehousing.

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### Foreign Commerce.

Commerce primarily means the interchange of property. We, however, call local commerce, *business*, and the general term is applied more to our trade with other nations. Commencing in the earliest ages, commerce extended as nations grew in intelligence and civilization. It has vastly increased during the last half-century. More than 2,000 years ago the Phœnician and Carthaginian traders visited England and carried away tin from Cornwall, bringing in exchange earthenware, brass manufactures, and salt. Modern commerce necessitates the existence and employment of numerous classes of people and a vast machinery of conveyance and communication. The entire world is the field of the modern merchant. He buys raw and manufactured products wherever he can buy cheapest and he ships to whatever market pays him the highest price. Our corner grocer or produce dealer may furnish us with beef from Texas, potatoes from Egypt, celery from Michigan, onions from Jamaica, coffee from Java, oranges from Spain, and a hundred other things from as many distant points, and yet so complete is the interlocking of the world's commercial interests and so great is the speed of transportation that he can supply us with these necessities under existing conditions more easily and readily than if they were all grown on an adjoining farm.

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## Chambers of Commerce.

Chambers of Commerce and Boards of Trade are voluntary local institutions whose object is to promote the domestic or foreign trade of the cities in which they are located. They collect, classify, and dis-

TELEGRAPHIC ADDRESS, "WOODLANDS" GLASGOW.										16 Duncan Square. Glasgow 30 Dec 1897																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
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1/2	296 1/2	298 1/2	300 1/2	302 1/2	304 1/2	306 1/2	308 1/2	310 1/2	312 1/2	314 1/2	316 1/2	318 1/2	320 1/2	322 1/2	324 1/2	326 1/2	328 1/2	330 1/2	332 1/2	334 1/2	336 1/2	338 1/2	340 1/2	342 1/2	344 1/2	346 1/2	348 1/2	350 1/2	352 1/2	354 1/2	356 1/2	358 1/2	360 1/2	362 1/2	364 1/2	366 1/2	368 1/2	370 1/2	372 1/2	374 1/2	376 1/2	378 1/2	380 1/2	382 1/2	384 1/2	386 1/2	388 1/2	390 1/2	392 1/2	394 1/2	396 1/2	398 1/2	400 1/2	402 1/2	404 1/2	406 1/2	408 1/2	410 1/2	412 1/2	414 1/2	416 1/2	418 1/2	420 1/2	422 1/2	424 1/2	426 1/2	428 1/2	430 1/2	432 1/2	434 1/2	436 1/2	438 1/2	440 1/2	442 1/2	444 1/2	446 1/2	448 1/2	450 1/2	452 1/2	454 1/2	456 1/2	458 1/2	460 1/2	462 1/2	464 1/2	466 1/2	468 1/2	470 1/2	472 1/2	474 1/2	476 1/2	478 1/2	480 1/2	482 1/2	484 1/2	486 1/2	488 1/2	490 1/2	492 1/2	494 1/2	496 1/2	498 1/2	500 1/2	502 1/2	504 1/2	506 1/2	508 1/2	510 1/2	512 1/2	514 1/2	516 1/2	518 1/2	520 1/2	522 1/2	524 1/2	526 1/2	528 1/2	530 1/2	532 1/2	534 1/2	536 1/2	538 1/2	540 1/2	542 1/2	544 1/2	546 1/2	548 1/2	550 1/2	552 1/2	554 1/2	556 1/2	558 1/2	560 1/2	562 1/2	564 1/2	566 1/2	568 1/2	570 1/2	572 1/2	574 1/2	576 1/2	578 1/2	580 1/2	582 1/2	584 1/2	586 1/2	588 1/2	590 1/2	592 1/2	594 1/2	596 1/2	598 1/2	600 1/2	602 1/2	604 1/2	606 1/2	608 1/2	610 1/2	612 1/2	614 1/2	616 1/2	618 1/2	620 1/2	622 1/2	624 1/2	626 1/2	628 1/2	630 1/2	632 1/2	634 1/2	636 1/2	638 1/2	640 1/2	642 1/2	644 1/2	646 1/2	648 1/2	650 1/2	652 1/2	654 1/2	656 1/2	658 1/2	660 1/2	662 1/2	664 1/2	666 1/2	668 1/2	670 1/2	672 1/2	674 1/2	676 1/2	678 1/2	680 1/2	682 1/2	684 1/2	686 1/2	688 1/2	690 1/2	692 1/2	694 1/2	696 1/2	698 1/2	700 1/2	702 1/2	704 1/2	706 1/2	708 1/2	710 1/2	712 1/2	714 1/2	716 1/2	718 1/2	720 1/2	722 1/2	724 1/2	726 1/2	728 1/2	730 1/2	732 1/2	734 1/2	736 1/2	738 1/2	740 1/2	742 1/2	744 1/2	746 1/2	748 1/2	750 1/2	752 1/2	754 1/2	756 1/2	758 1/2	760 1/2	762 1/2	764 1/2	766 1/2	768 1/2	770 1/2	772 1/2	774 1/2	776 1/2	778 1/2	780 1/2	782 1/2	784 1/2	786 1/2	788 1/2	790 1/2	792 1/2	794 1/2	796 1/2	798 1/2	800 1/2	802 1/2	804 1/2	806 1/2	808 1/2	810 1/2	812 1/2	814 1/2	816 1/2	818 1/2	820 1/2	822 1/2	824 1/2	826 1/2	828 1/2	830 1/2	832 1/2	834 1/2	836 1/2	838 1/2	840 1/2	842 1/2	844 1/2	846 1/2	848 1/2	850 1/2	852 1/2	854 1/2	856 1/2	858 1/2	860 1/2	862 1/2	864 1/2	866 1/2	868 1/2	870 1/2	872 1/2	874 1/2	876 1/2	878 1/2	880 1/2	882 1/2	884 1/2	886 1/2	888 1/2	890 1/2	892 1/2	894 1/2	896 1/2	898 1/2	900 1/2	902 1/2	904 1/2	906 1/2	908 1/2	910 1/2	912 1/2	914 1/2	916 1/2	918 1/2	920 1/2	922 1/2	924 1/2	926 1/2	928 1/2	930 1/2	932 1/2	934 1/2	936 1/2	938 1/2	940 1/2	942 1/2	944 1/2	946 1/2	948 1/2	950 1/2	952 1/2	954 1/2	956 1/2	958 1/2	960 1/2	962 1/2	964 1/2	966 1/2	968 1/2	970 1/2	972 1/2	974 1/2	976 1/2	978 1/2	980 1/2	982 1/2	984 1/2	986 1/2	988 1/2	990 1/2	992 1/2	994 1/2	996 1/2	998 1/2	1000 1/2	1002 1/2	1004 1/2	1006 1/2	1008 1/2	1010 1/2	1012 1/2	1014 1/2	1016 1/2	1018 1/2	1020 1/2	1022 1/2	1024 1/2	1026 1/2	1028 1/2	1030 1/2	1032 1/2	1034 1/2	1036 1/2	1038 1/2	1040 1/2	1042 1/2	1044 1/2	1046 1/2	1048 1/2	1050 1/2	1052 1/2	1054 1/2	1056 1/2	1058 1/2	1060 1/2	1062 1/2	1064 1/2	1066 1/2	1068 1/2	1070 1/2	1072 1/2	1074 1/2	1076 1/2	1078 1/2	1080 1/2	1082 1/2	1084 1/2	1086 1/2	1088 1/2	1090 1/2	1092 1/2	1094 1/2	1096 1/2	1098 1/2	1100 1/2	1102 1/2	1104 1/2	1106 1/2	1108 1/2	1110 1/2	1112 1/2	1114 1/2	1116 1/2	1118 1/2	1120 1/2	1122 1/2	1124 1/2	1126 1/2	1128 1/2	1130 1/2	1132 1/2	1134 1/2	1136 1/2	1138 1/2	1140 1/2	1142 1/2	1144 1/2	1146 1/2	1148 1/2	1150 1/2	1152 1/2	1154 1/2	1156 1/2	1158 1/2	1160 1/2	1162 1/2	1164 1/2	1166 1/2	1168 1/2	1170 1/2	1172 1/2	1174 1/2	1176 1/2	1178 1/2	1180 1/2	1182 1/2	1184 1/2	1186 1/2	1188 1/2	1190 1/2	1192 1/2	1194 1/2	1196 1/2	1198 1/2	1200 1/2	1202 1/2	1204 1/2	1206 1/2	1208 1/2	1210 1/2	1212 1/2	1214 1/2	1216 1/2	1218 1/2	1220 1/2	1222 1/2	1224 1/2	1226 1/2	1228 1/2	1230 1/2	1232 1/2	1234 1/2	1236 1/2	1238 1/2	1240 1/2	1242 1/2	1244 1/2	1246 1/2	1248 1/2	1250 1/2	1252 1/2	1254 1/2	1256 1/2	1258 1/2	1260 1/2	1262 1/2	1264 1/2	1266 1/2	1268 1/2	1270 1/2	1272 1/2	1274 1/2	1276 1/2	1278 1/2	1280 1/2	1282 1/2	1284 1/2	1286 1/2	1288 1/2	1290 1/2	1292 1/2	1294 1/2	1296 1/2	1298 1/2	1300 1/2	1302 1/2	1304 1/2	1306 1/2	1308 1/2	1310 1/2	1312 1/2	1314 1/2	1316 1/2	1318 1/2	1320 1/2	1322 1/2	1324 1/2	1326 1/2	1328 1/2	1330 1/2	1332 1/2	1334 1/2	1336 1/2	1338 1/2	1340 1/2	1342 1/2	1344 1/2	1346 1/2	1348 1/2	1350 1/2	1352 1/2	1354 1/2	1356 1/2	1358 1/2	1360 1/2	1362 1/2	1364 1/2	1366 1/2	1368 1/2	1370 1/2	1372 1/2	1374 1/2	1376 1/2	1378 1/2	1380 1/2	1382 1/2	1384 1/2	1386 1/2	1388 1/2	1390 1/2	1392 1/2	1394 1/2	1396 1/2	1398 1/2	1400 1/2	1402 1/2	1404 1/2	1406 1/2	1408 1/2	1410 1/2	1412 1/2	1414 1/2	1416 1/2	1418 1/2	1420 1/2	1422 1/2	1424 1/2	1426 1/2	1428 1/2	1430 1/2	1432 1/2	1434 1/2	1436 1/2	1438 1/2	1440 1/2	1442 1/2	1444 1/2	1446 1/2	1448 1/2	1450 1/2	1452 1/2	1454 1/2	1456 1/2	1458 1/2	1460 1/2	1462 1/2	1464 1/2	1466 1/2	1468 1/2	1470 1/2	1472 1/2	1474 1/2	1476 1/2	1478 1/2	1480 1/2	1482 1/2	1484 1/2	1486 1/2	1488 1/2	1490 1/2	1492 1/2	1494 1/2	1496 1/2	1498 1/2	1500 1/2	1502 1/2	1504 1/2	1506 1/2	1508 1/2	1510 1/2	1512 1/2	1514 1/2	1516 1/2	1518 1/2	1520 1/2	1522 1/2	1524 1/2	1526 1/2	1528 1/2	1530 1/2	1532 1/2	1534 1/2	1536 1/2	1538 1/2	1540 1/2	1542 1/2	1544 1/2	1546 1/2	1548 1/2	1550 1/2	1552 1/2	1554 1/2	1556 1/2	1558 1/2	1560 1/2	1562 1/2	1564 1/2	1566 1/2	1568 1/2	1570 1/2	1572 1/2	1574 1/2	1576 1/2	1578 1/2	1580 1/2	1582 1/2	1584 1/2	1586 1/2	1588 1/2	1590 1/2	1592 1/2	1594 1/2	1596 1/2	1598 1/2	1600 1/2	1602 1/2	1604 1/2	1606 1/2	1608 1/2	1610 1/2	1612 1/2	1614 1/2	1616 1/2	1618 1/2	1620 1/2	1622 1/2	1624 1/2	1626 1/2	1628 1/2	1630 1/2	1632 1/2	1634 1/2	1636 1/2	1638 1/2	1640 1/2	1642 1/2	1644 1/2	1646 1/2	1648 1/2	1650 1/2	1652 1/2	1654 1/2	1656 1/2	1658 1/2	1660 1/2	1662 1/2	1664 1/2	1666 1/2	1668 1/2	1670 1/2	1672 1/2	1674 1/2	1676 1/2	1678 1/2	1680 1/2	1682 1/2	1684 1/2	1686 1/2	1688 1/2	1690 1/2	1692 1/2	1694 1/2	1696 1/2	1698 1/2	1700 1/2	1702 1/2	1704 1/2	1706 1/2	1708 1/2	1710 1/2	1712 1/2	1714 1/2	1716 1/2	1718 1/2	1720 1/2	1722 1/2	1724 1/2	1726 1/2	1728 1/2	1730 1/2	1732 1/2	1734 1/2	1736 1/2	1738 1/2	1740 1/2	1742 1/2	1744 1/2	1746 1/2	1748 1/2	1750 1/2	1752 1/2	1754 1/2	1756 1/2	1758 1/2	1760 1/2	1762 1/2	1764 1/2	1766 1/2	1768 1/2	1770 1/2	1772 1/2	1774 1/2	1776 1/2	1778 1/2	1780 1/2	1782 1/2	1784 1/2	1786 1/2	1788 1/2	1790 1/2	1792 1/2	1794 1/2	1796 1/2	1798 1/2	1800 1/2	1802 1/2	1804 1/2	1806 1/2	1808 1/2	1810 1/2	1812 1/2	1814 1/2	1816 1/2	1818 1/2	1820 1/2	1822 1/2	1824 1/2	1826 1/2	1828 1/2	1830 1/2	1832 1/2	1834 1/2	1836 1/2	1838 1/2	1840 1/2	1842 1/2	1844 1/2	1846 1/2	1848 1/2	1850 1/2	1852 1/2	1854 1/2	1856 1/2	1858 1/2	1860 1/2	1862 1/2	1864 1/2	1866 1/2	1868 1/2	1870 1/2	1872 1/2	1874 1/2	1876 1/2	1878 1/2	1880 1/2	1882 1/2	1884 1/2	1886 1/2	1888 1/2	1890 1/2	1892 1/2	1894 1/2	1896 1/2	1898 1/2	1900 1/2

town or city. The funds required to meet the expenses are supplied by regular contributions paid in by members. The boards of trade of American cities have had a large influence in directing the character of the business done in each, and many of our cities owe their large

		105		20+20		2383 1	
148	51	for 32" Madras Shirting		388	43	56	5 10
		39 1/2 55 7/52 1/2 52 1/2 52 1/2 7/54 7/55 1/2					
		57 58 1/2 7/59 59 1/2 3/60 60 1/2 7/61					
		7/62 62 1/2 6/63 63 1/2 7/64 7/64 1/2 65					
		29 1/2 29 1/2 30 1/2 30 1/2 31 1/2 31 1/2 32 1/2 32 1/2					
		33 1/2 33 1/2 34 1/2 34 1/2 35 1/2 35 1/2 36 1/2 36 1/2					
124	9	do do		57 1/2	6 1/2	14	11 1
		54 1/2 55 55 1/2 7/57 7/58 1/2 60 61 1/2					
		(7/54 45 7/6 46 53 47 56 48 59 52)		137		70	16 11
						309	
		Deduct 2 1/2 % dis of				7	14 6
		Actual price paid by purchaser				301	5 6
		Costs not included in above					
		Packing bases		3	3 4		
		Consular fee 1 1/2 %		11 1/2		3	17 1/2
						358	2 10
		Costs included in above					
		Making up 26 % of		6 1/2			
		Five bases per "State of New York"					
		New York Thence via Bond to					
		Philadelphia					

and speedy growth to the immediate influence of enterprising and progressive boards of trade.

#### Customs Duties.

The taxes levied upon merchandise imported or exported are commonly called customs duties. They have always formed one of the





of customs lines. The most ancient customs in England consisted of fees paid by the merchants for the privilege of using the king's warehouses, weights, and measures. The *excise* was first levied in Holland

(Form No. 138.)

**Declaration to be made by the Seller on Behalf of the Purchaser where Merchandise has been actually Purchased.**

I, Gregor W. Gregor of Glasgow, the seller and owner of the merchandise in the annexed invoice mentioned and described which was purchased from Mr. David Buchanan of Glasgow, in the United States; that the said invoice was made at Glasgow, in the consular district of Glasgow, whereas the said merchandise is to be exported to the United States, and that it is in all respects true; that it contains a true and full statement of the time when, the place where, and the person from whom the merchandise therein mentioned was purchased, and the actual price paid, or to be paid, to me by the purchaser, to whom we have sold the same in the ordinary course of trade, and for whom I now act in producing this invoice, together with a true statement of the quantity thereof, and of all charges thereon; that no discounts, bounties, or drawbacks are contained in the said invoice but such as have been actually allowed thereon; that the currency in which the said invoice is made out is the currency which was actually paid, or is to be paid, for the said merchandise, and that no different invoice thereof has been or will be furnished to any one.

I further declare that it is intended to make entry of the Merchandise mentioned in the said invoice at the port of San Francisco in the United States of America.

And I make the above declaration, conscientiously believing the same to be true, and by virtue of the provisions of an Act made and passed in the sixth year of the reign of His late Majesty King William the Fourth, entitled, "An Act to repeal an Act of the present Session of Parliament, intituled an Act for the more effectual Abolition of Oaths and Affirmations taken and made in various departments of the State, and to substitute Declarations in lieu thereof, and for the more entire suppression of voluntary and extra-judicial oaths and affirmations, and to make other provisions for the abolition of unnecessary oaths."

Declared at GLASGOW, in the County of  
LANARK, SCOTLAND, the 31 day of  
December 1892, before me  
John Brown  
Notary Public.

(Form No. 140.)


I, LEVI W. BROWN, Consul of the United States at Glasgow, do hereby certify that at Glasgow, on this 31 day of December A.D. 1892, the within Invoice, No. 177 which are mentioned and described contain Merchandise, to wit:—Cotton Shirts amounting with the charges thereon, to the gross sum of £ 305 2 10 was produced to me by Gregor W. Gregor in person, who thereupon declared in writing in my presence that entry of said Merchandise was to be made at the Port of San Francisco in the United States of America.

I do further certify that I am satisfied that the person making the declaration hereto annexed is the person he represents himself to be, and that the price stated in said invoice represents the actual market value or wholesale price of the Merchandise described in the said invoice in the principal markets of the country at the date of signature, excepting as noted by me upon said invoice, or respecting which I shall make special comment for the proper authority.

Witness my hand and seal of Office, at GLASGOW the day and year aforesaid.

Levi W. Brown  
Consul of the United States.

Received For, \$2.50



as a war tax. In the United States this form of tax is called *internal revenue* and is levied by means of affixed stamps upon tobacco and liquor. We import about a billion dollars worth of merchandise annually, and export slightly more. The value of our *in-transit trade*,

that is, of foreign merchandise brought to this country for immediate shipment from its ports or across the country to other foreign countries, amounts to over fifty millions of dollars annually. The term *entry for consumption* is the technical name of the import entry made at the

custom house and does not imply that the goods are actually to be consumed, but simply that they have been delivered into the custody of the importer and that the duties have been paid on the dutiable portion. The values of imported articles are their values in the foreign markets from which they are imported, or rather the foreign shippers' invoice value. The cost of freight from the last foreign port whence they were shipped to the United States is not included in their dutiable value. The commissions of commission men and importers are not deducted before the duty is charged. The *foreign export value* of commodities exported from a bonded warehouse is the value which they bore in the foreign markets whence they

United States Consular Agency  
Gera, Germany.

Declaration to be made by the Seller on behalf of the  
Purchaser where Merchandise has been Actually Purchased.

I, Alfred H. Hume  
of Gera  
do solemnly and truly declare that I am  
the seller and shipper  
of the merchandise in the annexed invoice mentioned  
and described: which was purchased from me by  
Harold Rammelman & Co  
of Philadelphia Pa  
in the United States; that the said invoice was made at

Gera  
in the consular district of GERA, whence the said  
merchandise is to be exported to the United States,  
and that it is in all respects true; that it contains  
a true and full statement of the time when, the place  
where, and the person from whom the merchandise  
therein mentioned was purchased, and the actual price  
paid, or to be paid, to the purchaser, to whom  
I have sold the same in the ordinary course of trade,  
and for whom I now act in producing this in-  
voice, together with a true statement of the quantity  
thereof, and of all charges thereon; that no discounts,  
bounties, or drawbacks are contained in the said invoice  
but such as have been actually allowed thereon; that  
the currency in which the said invoice is made out is  
the currency which was actually paid, or is to be  
paid, for the said merchandise; and that no different  
invoices thereof has been or will be furnished to any one.

I further declare that it is intended to make  
entry of the merchandise mentioned in the said invoice  
at the port of New York  
in bond to Philadelphia  
in the United States of America.

Dated at Gera, this 26th day of December 1892

Alfred H. Hume  
By Alfred H. Hume  
Agent  
I, Alfred H. Hume, do

were imported to the United States, that is, their import value. This name is given to distinguish this class of exports from what are known as *domestic exports*, that is, exports of produce or goods grown or manufactured in the United States.

**How Goods Are Imported.**

Large orders for foreign goods are sent to European houses either direct by correspondence or through New York commission merchants who make a specialty of import trade. The largest American importers have men whom they call their *foreign buyers*. These go abroad at certain seasons and make purchases direct from European houses. They simply buy the goods, that is, order them, and leave the shipping and all the routine connected therewith to the seller. When the goods are ready for shipment, the foreign house makes out an invoice—three copies. These are taken to the office of the nearest United States Consul and an oath is taken to the effect that the particulars and prices are absolutely as stated. This precaution is to prevent fraud. A foreign merchant might be in collusion with an American importer and invoice goods at a value lower than their actual price to reduce the amount of duty to be paid at the American port of entry. The Consul files one copy of the invoice; the second he sends to the custom house where the goods are to be entered; and the third is returned to the shipper. The cases are forwarded to the seaport town where a bill-of-lading, also in triplicate, is issued by the ship or her agents. The invoice, the bill-of-lading, and the Consul's certificate are mailed to the consignee at the port of destination. Upon the arrival of the goods the consignee usually takes the papers to his custom house broker, who for a moderate fee does the necessary routine work of *passing the goods* at the custom house. The consignee may save this expense by attending to the matter himself but usually he finds it a saving of expense as well as of time to allow a broker to do the work for him. If he wishes to pay the duty immediately he makes what is known as a *cash entry*. If he does not require the goods immediately he may make a *warehouse entry*. When the latter is done the duty need not be paid until the goods are taken from the bonded warehouse. The cases may be taken in lots at different times at the convenience of the importer. In the entry of goods for a bonded warehouse the government requires a bond from the importer, with a surety that he will pay the duty within three years, or export the goods to some other country. When goods are consigned to the interior of the United States, that is to cities or towns which are not ports of entry, the goods can be sent from the port of shipment to the port of entry, and then forwarded *in bond* to the point of destination. The invoice, bill-of-lading, and other papers are sent to the custom house broker at the port of arrival where the custom house entries are made and the

goods trans-shipped. The bill-of-lading should read "In bond to ——" wherever the destination may be.

### Examination of Goods.

When the goods are discharged from the vessel they are sent to what is known as the United States appraiser's stores for examination.

<b>United States Consular Agency</b> <b>Gera, Germany.</b> Form No. 140.		<b>Duplicata 9.56.</b> <b>GERA, GERMANY.</b>
I, <b>Charles Hauer</b> , Consular Agent of the United States at Gera, do hereby certify that at this Consular Agency on this <u>9<sup>th</sup></u> day of <u>December</u> , A.D. 189 <u>2</u> , the within invoice, No. <u>956</u> , in which are mentioned and described certain		Shipper: <u>Alfred Hirsch</u> (Absender) <u>Gera, Pruf.</u>
<u>Wollen drap goods</u> amounting, with the charges thereon, to the total sum of <u>Mk. 2447.60 3</u> was produced to me by <u>Phil. Hauer &amp; Söhne</u> in person, the <u>agent</u> of the <u>seller and shipper</u> who thereupon declared in writing in my presence that entry of said merchandise was to be made at the port of <u>Philadelphia</u> in bond to <u>Philadelphia</u> in the United States of America.		Receiver: <u>Hansel Dammernann &amp; Söhne</u> (Empfänger) <u>Philadelphia Pr.</u>
I do further certify that I am satisfied that the person making the declaration hereto guaranteed in the person he represents himself to be, and that the price stated in said invoice represents the actual market value or wholesale price of the merchandise described in the said invoice in the principal markets of the country at the time of exportation, excepting as noted by me upon said invoice, or respecting which I shall make special communication to proper authority.		Contents: <u>Wollen drap goods</u> (Inhalt) _____
Value: <u>Mk. 2447.60 3</u> (Betrag) _____		Quantity: <u>1 case</u> (Anzahl der Colli) _____
Port of Shipment: <u>Bremen</u> (Versehrungs-Hafen) _____		Mark: <u>A M 1046</u> (Zeichen) _____
Port of Entry: <u>New York</u> (Einfuhr-Hafen) _____		In Bond to: <u>Philadelphia</u> (Unter Zollverschluss nach) _____
Destination: <u>dis</u> (Bestimmungsort) _____		Witness my hand and seal of office at GERA, the day and year aforesaid.
[Signature] Consular Agent of the United States of America		[Signature] Consular Agent of the United States of America

Here the examiners have the cases opened and compare the goods to see if they correspond with the invoices, and that the prices are correct. Should the appraiser deem the goods rated wrong, he returns the invoice to the collector's office where the matter is adjusted, and notice of the additional duty necessary is sent to the

importer. Should the importer consider that he has been unfairly

TELEPHONE CONNECTION.

OFFICE OF  
**J. J. Buchey & Co.**  
 Custom House and Forwarding Agents,  
 NOTARIES PUBLIC.  
 No. 57 Beaver Street, NEW YORK      No. 404 Library Street, PHILADELPHIA.  
 PASSPORTS.

*Philadelphia* *Jan 21<sup>st</sup> 1893.*  
*Mr. Geo. W. Porter*  
 Your ENTRY per *St. Louis*  
 from *Liverpool* is now ready  
 "Statement."

*Dyed cotton 12002 yds @ 5 1/2¢ = 660.11*  
*4 4 302 4 45% = 135.70*  
*796.01*

*Paid*  
*1/25/93 J. J. Buchey & Co.*  
*for*  
 101/05.

Please call at our office before 3 o'clock, on 21<sup>st</sup> inst.  
 and complete same, as vessel obtains General Order upon that  
 date.

Yours very respectfully,  
**J. J. BUCHEY & CO.**  
 404 LIBRARY STREET.

treated he has redress by formal protest to the board of government appraisers. If this board decides against him he can sue

the collector and bring the matter before the United States Court.

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TELEPHONE CONNECTION.  
OFFICE OF  
J. J. BUCHEY & CO.  
CUSTOM HOUSE AND FORWARDING AGENS.  
NOTARIES PUBLIC,  
No. 404 Library St., No. 57 Beaver St.,  
PHILADELPHIA. NEW YORK

— PASSPORTS —

Philadelphia, Feb. 16<sup>th</sup> 1893

Mrs. GEO. H. OBERTEUFFER'S SON,  
New York. ENTRY per \$ - State of Nebraska  
arrived Jan. 12<sup>th</sup> 1893 has been liquidated as follows

"STATEMENT"

Dyed cotton cloth 150/200 threads - under 12 <sup>th</sup> yds }	12002 yds. @ 5 1/2¢ =	\$660 11
Dyed cotton cloth 100/150 threads - over 12 <sup>th</sup> yds }	\$232 @ 40% =	92.80
Dyed cotton cloth 150/200 threads - over 12 <sup>th</sup> yds }	\$70 @ 45% =	31.50
		\$784.41
	Duty Paid	796.01
	Refund	\$11.60

10/105  
Philada.

Should you discover any error in the above liquidation,  
kindly notify us before 2/25/93 after which time,  
corrections, alterations or protests cannot be made.

Yours Very Respectfully,  
J. J. BUCHEY & CO.,  
404 LIBRARY STREET.

Should the appraiser consider that the goods have been invoiced at too low a figure he can advance the same to what he considers

right. If this advance is over ten per cent. a penalty fine (as may be prescribed by law) is charged, and if the advance is over forty per cent. the case is presumed to be one of fraud, and the goods may be confiscated. Every entry has to be sworn to by a member of the importing firm, before the collector or one of his deputies. If it is not convenient for a member of the importing firm to do this, then his agent who holds power of attorney, makes oath, and gives a bond for the production of the importer's declaration at some subsequent time. When a consignee receives his bill-of-lading, but no invoice, he can, where the value is less than \$100 make what is known as an *appraisement entry*, but where the value exceeds \$100, and he knows the contents and prices, he can make out a *pro-forma invoice*, giving a bond to the government for the production later of a proper certified invoice.

No. _____ Philadelphia. _____ 189 _____	
Insured for the sum of _____ Dollars	
under policies held by the Merchants Warehouse Company of Philadelphia	
Insurance expires _____ at 12 M	
_____ Sup	
_____ Register Clerk.	
<b>MERCHANTS WAREHOUSE COMPANY</b> SHADAMON FLOUR WAREHOUSE - BEACH ST. ABOVE LAUREL ST. Philadelphia. 189 _____ RECEIVED in Store from _____ No. _____ Floor _____ Stored Section _____ Deliverable only upon the written endorsement hereon of _____ and the surrender of this Certificate without any addition of same. The transfer by endorsement and delivery of this certificate shall be considered as a conclusive transfer and delivery of the property. All Freight Charges due the Railroad Co. on the Merchandise covered by this Certificate have been paid. All Storage Charges are paid to _____ 189 _____ inclusive. All Insurance Charges are paid to _____ (See margin) 189 _____ inclusive. Subsequent periods of Storage and Insurance will be subject to market rates. (See margin)	
_____ Superintendent.	
_____ Register Clerk.	
This Merchandise is subject to our tariff of charges The right is reserved to change these rates upon 10 days' notice notice being posted at the Philadelphia Commercial Exchange	



**Storage and Warehousing.**

Warehousing is a very important industry of large cities. There are hundreds of large warehouses for the storage of furniture and valuables. The rates for large articles are usually a fixed price per month for each cubic foot of space occupied. These storage companies usually have large vans which are hired for moving household effects. Perishable products such as meats, vegetables, etc., are often

<p>MAX RIEDEL, No. 962 BROADWAY, NEW YORK</p>		<p>New York, Jan'y. 15, 1893</p>
<p>Messrs. Harold Bannerman &amp; Son, Philadelphia</p>		
<p><b>Debt.</b></p>		
<p>to Alfred Münch, Gera:</p>		
for freight from Gera to <u>Hamburg</u>	Mk.	15.40
" " <u>Hamburg to New York</u>	"	16.50
" Insurance from Gera to port	"	15.35
" Counsel's fees	"	10.70
<p>to Max Riedel, New York:</p>		
for Commission & Expenses on cases	\$	1.00
4% on net Mk 2432.70		97.35
	net Mk	175.50
<p>Please include this amount in your remittance against cases \$ 1.00</p>		
<p>to Alfred Münch, Gera, Rouss.</p>		
<p>Max Riedel</p>		

stored in cold-storage warehouses where the temperature is kept at all times a little above the freezing point. Railroad and transportation companies have warehouses for storing freight. Besides these, there are government and private *bonded warehouses* for storing goods received from foreign countries. These have a double advantage to the importer. He need not pay the duty until he wishes to remove the goods, or he can negotiate his warehouse receipt, or in other words

raise money on his goods without their removal, if he is in need of ready cash and is waiting for a profitable market. Bonded warehouses, both those owned by the government and by private companies, are under the control of custom house officials known as government storekeepers. The storekeeper carries the keys and no goods can be removed without his consent which is given only upon order from the custom house, and not then unless the storage charges have been paid. Only goods which are dutiable go into bonded warehouses. The *warehouse receipt* given by private warehouse companies is a negotiable instrument and may be used with banks as collateral security for money borrowed, or the goods stored may be sold and the storage receipt *passed* from the seller to the buyer just as would a deed or other instrument of value. The storage rates vary greatly. The space occupied and the labor of handling are the most important considerations. Flour, for instance, would cost about 3c. a barrel for the first 30 days, and 2c. a barrel for each succeeding 15 days. If a rate were quoted as 10 and 8 it would indicate 10c. for storage and 8c. for labor for the first period of time, and 10c. for each successive period. When the goods are being unloaded the ship-master gives a ticket with particulars of the goods to the driver of the bonded dray. Upon delivery of the goods to the warehouse this ticket is turned over to the storekeeper who delivers it to the custom house. The importer receives a *delivery order* for each lot of goods stored. These orders may be exchanged for a warehouse receipt just as railroad receipts may be exchanged for a bill-of-lading. The holder of the warehouse receipt has a title to the merchandise it represents. They may be transferred by endorsement. The usual form of endorsement is as follows: "Deliver to—— or order, the within merchandise," followed by the signature of the owner. Storage companies do not insure the goods. When the accrued storage charges amount to the value of the goods, the company can get an order from the court for their sale to cover expenses.

#### **How Goods are Exported.**

Our export trade has grown to very large proportions. We send millions of dollars worth of raw and manufactured products to all parts of the world. All goods shipped abroad have to be *cleared* at a custom house on a blank known as a *shipper's manifest* which contains a description of the goods shipped. This must be sworn to before the collector of customs or one of his deputies by the party making the ship-

ment or his authorized agent. When this is done the ship's master or the transportation company issues a bill-of-lading as in local shipments.

733  
(CAT. NO. 657.)

NOTICE TO IMPORTER OF BALANCE IN HIS FAVOR.

FEB  
-21-  
PAID

Custom-House, Port of Phila.

COLLECTOR'S OFFICE,

Feb. 14th 1898

Sir:

The duties on the importation of yours  
per State of Nebraska, Jan. 23/93  
Master, from  
Liverpool

have been ascertained, and there is a balance in your favor, amounting to \$ 11 60, which can be obtained on application to the Auditor's Office by you or your agent authorized in writing to receipt for the same.

Respectfully yours,

F. J. Crilly  
Deputy Collector.

Geo. H. Obertuff's Son

(Ed. 6-19-91-7,000.)

A ship cannot clear for a foreign port until it has properly attested manifests representing its entire cargo. The manifest blanks are usu-

ally provided by the ship-transportation company as are bill-of-lading blanks. Goods can be brought into the United States and immediately exported to Canada, without payment of duty, providing the bill-of-lading states "For immediate exportation," or the imported goods may be placed in a bonded warehouse and exported any time within three

*Roubaix June 12<sup>th</sup> 1893.*  
*Messrs. Havel & Bannerman Ltd Philadelphia*  
*To L. Lewis & Co*  
*Send for your invoice and risk to the Red Star Line*  
*for shipment per steamer to the Port of Philadelphia from Antwerp*  
*June 14<sup>th</sup> 1893*  
*Insurance*  
*Done*

*WARRANT*

		<i>Ca H P</i>	<i>+ 30.51</i>						
<i>B</i>	<i>36.40</i>	<i>Diagonal 94 1/2 in</i>	<i>1398</i>	<i>15</i>	<i>107.70</i>				
		<i>Commission 3%</i>			<i>3.20</i>				
		<i>Net 149</i>			<i>104.50</i>				
		<i>base</i>			<i>20.</i>				
		<i>+ 30.51</i>			<i>135.01</i>				
<i>B</i>	<i>34.40</i>	<i>Diagonal 94 1/2 in</i>	<i>1326</i>	<i>15</i>	<i>102.70</i>				
		<i>Commission 3%</i>			<i>3.10</i>				
		<i>Net 149</i>			<i>99.60</i>				
		<i>base</i>			<i>20.</i>				
		<i>Consulate fee</i>			<i>18.</i>				
		<i>Paid</i>			<i>117.60</i>				
		<i>Warrant</i>			<i>30.51</i>				

years. The owner of goods on which import duties have been paid, is entitled to have such duties wholly or partly paid back if he decides to export the goods to a foreign point. For instance a merchant might import \$1,000 worth of goods from England, store them in a New York bonded warehouse and at his convenience export them to

Cuba or Brazil or some other country. It is evident that it would be unfair to pay the United States duty when the goods were not for use here. The amount refunded in such a case is called *drawback*, and is fixed by schedule approved by the secretary of the treasury. The claim for *drawback* must be made before the goods are shipped and in such form as the secretary may prescribe. The advantage of this system is easily seen in the fact that it enables our merchants to compete with foreign traders in business outside of our own country.

### **Competition.**

It is really true that competition is the life of trade. If there were but one producer, this producer would take his ease, and would hardly dream of improving either the conditions of his production or the quality of his products. This is too often the case wherever there exists a monopoly. Competition is, therefore, a necessary condition that industry may be kept up and the public well served. Competition is usually disastrous to the dealer who cannot meet his competitors in either price or quality of goods. Imposition and fraud too often usurp the favor which is due to real merit. The public are deceived by gaudy signboards or by fallacious announcements; they are attracted by the bait of cheapness, and are cheated with adulterated products. The competition of trade is always an advantage to an intelligent community. It brings more attractive stores, better goods, lower prices, and usually a more intelligent and careful service. The grocer who has a monopoly of the town's trade allows you to call with your order and carry home your packages; he sells you what he has rather than what you want. With competition, he calls for your order and delivers your groceries, and gets for you what you want whether it pays him or not. Competition is in reality the true motive power of commercial progress. It is also the one sovereign regulator. Things right themselves through competition. The railway charging exorbitant rates "comes to time" when paralleled by another line. It is competition, and competition alone, which puts upon goods their just price. It does this so well, that there is not anywhere, where competition exerts its full power, a single product which sells regularly either for more or for less than its cost of production including a reasonable profit. It is through competition that all the occupations of industry are filled continuously, completely, and in the proper proportion. The number of grocers, or doctors, or teachers must not be very largely in excess of the demand. When the number approaches an excess the trade or profession rights

itself through competition. If there be at any time too much labor for any particular kind of production, the wages for that class of labor declines, and the laborers are thereby warned to seek employment elsewhere. If, on the contrary, there be a scarcity of labor, wages go up, and this is a warning to those who are engaged elsewhere to apply themselves in greater numbers to where the scarcity exists. Thus, by the sole influence of high or low wages, labor is distributed and divided with an almost infallible precision among the different branches of production according to the measure of their needs, and equilibrium is nearly always maintained between the work to be done and the labor assigned to it.

#### **Balance of Trade.**

In commerce this term is commonly used to express the difference between the value of the exports from, and the imports into a country. The balance used to be considered favorable when the value of the exports exceeded that of the imports, and unfavorable when the opposite was the trade condition. The attainment of a favorable balance was for many years regarded as an object of the greatest importance. The precious metals, in consequence of their being used as money, were long considered as the only real wealth that could be possessed either by individuals or by nations; and as countries without mines could not obtain supplies of these metals except in exchange for exported products, it was concluded, that if the value of the commodities exported exceeded that of those imported, the balance would have to be paid by the importation of an equivalent amount of the precious metal, and conversely. A very large proportion of the restraints imposed on the freedom of commerce during the last three centuries grew out of this notion. The importance of having a favorable balance being universally admitted, every effort was made to attain it; and nothing seemed so effectual for this purpose as the devising of schemes to facilitate exportation, and to hinder the importation of almost all products, except gold and silver, that were not intended for future exportation. It is now conceded on all hands that the gold and silver are nothing but commodities; and that it is in no respect necessary to interfere either to encourage their importation or to prevent their exportation. The proper business of a wholesale merchant consists in carrying the various products of the different countries of the world from the places where their value is least to those where it is greatest; or, which is the same thing, in distributing them according to the effective demand. It is

clear that there could be no motive to export any species of produce, unless that which it was intended to import in its stead were of greater value. So far as an excess of exports over imports being any criterion of an advantageous commerce, it is directly the reverse and the truth is that unless the value of the imports exceed the value of the exports, foreign trade could not be carried on. Were this not the case—that is, were the value of the exports always greater than the value of the imports—merchants would lose on every transaction with foreigners, and the trade with them would be speedily abandoned. It is almost impossible to compare the real value of the imports with the real value of the exports. The value of an exported commodity is estimated at the moment of its being sent abroad, and before its cost is increased by the expense of transporting; whereas the value of the commodity imported in its stead is estimated after it has arrived at its destination, and, consequently, after its cost has been enhanced by the expense of freight, insurance, importers' profits, etc. In the second place, when a balance is due from one country to another, it is not always evident from the fact that one country is sending gold to the other. The laws which regulate the trade in bullion are not in any degree different from those which regulate the trade in other commodities. It is exported only when its exportation is an advantage, or when it is more valuable abroad than at home. It is next to impossible, then, to tell from the imports or exports, or from the fact that gold is being shipped abroad, whether the *balance of trade* is against or in favor of a particular country.





## EXAMINATION QUESTIONS.

1. Distinguish between the terms *commerce* and *business* as these terms are generally used.

2. Enumerate the countries and agencies which contribute to produce a full-course dinner such as might be given at one of our best hotels.

3. We find in every city, institutions known as *boards of trade*, *chambers of commerce*, etc. Give the nature and purpose of such organizations.

4. What are our *internal revenue* taxes and how are they collected?

5. Distinguish between duties for revenue and duties for protection.

6. Distinguish between an *ad valorem* duty and a *specific* duty. Which kind of duty would you expect upon the following: glass; silk; flour; knives; raw wool; furniture; potatoes; wine; books; rice; marble; carpet?

7. What is a "port of entry"?

8. What are the duties of a customs naval officer? of an appraiser? of a custom house storekeeper?

9. Distinguish between *import trade* and *in-transit trade*. What is meant by *entry for consumption*?

10. A of Boston buys in Holland \$5,000 worth of china, through a New York agent who charges him  $2\frac{1}{2}$  per cent. commission. The goods are entered at Boston where \$250 freight is paid. They are immediately exported to Brazil; what is their foreign export value?

11. Give in detail the routine necessary

1. in importing goods.
2. in exporting goods.

12. What are the duties of our foreign consuls with reference to the importation of goods? How may goods be shipped from a point where there is no consul located?

13. What is the business of a *Custom House Broker*?

14. Distinguish between what is known as a *cash entry* of goods and a *warehouse entry*.

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15. What is the penalty for incorrectly or fraudulently invoicing imported goods?

16. Give some particulars of the storage and warehouse business of large cities.

17. What are the advantages to the importer of bonded warehouses?

18. Give the particulars in which a warehouse receipt resembles and differs from (1) a promissory note, (2) a bill-of-lading.

19. Describe the form and use of a *ship's manifest*.

20. What is known as a *drawback* in "foreign export trade"?

21. The competition of trade is always an advantage to an intelligent community and usually to the competing houses themselves. Explain.

22. "Things right themselves through competition." Discuss this statement from an economic standpoint.

23. Is it an encouraging or discouraging economic condition when our imports are in excess of our exports? Discuss fully.

24. Find the duty on 100 boxes of plate glass, each containing 16 plates (20x36). Duty 22c. per square foot. (*Ans.* \$1,760.)

25. What is the ad valorem duty on 45 boxes of brass nails, 20lb. per box, invoiced at 13c. a lb., duty 45 per cent., and tare 4½lbs. per box? (*Ans.* \$40.80.)

### MISCELLANEOUS QUESTIONS AND EXERCISES.

1. What are the advantages to the United States commercially of its (1) foreign consuls? (2) the international Postal Union? (3) its census statistics?

2. What city is America's greatest (1) leather market? (2) cotton market? (3) flour market? (4) wheat market? (5) tobacco market?

3. Name and locate the five cities which in your opinion do the largest shipping trade in the world.

4. Of the raw products produced by the United States name the three which are commercially the most valuable.

5. Why do not foreign steamers engage in the carrying trade of the Mississippi?

6. Enumerate the executive departments of the Federal government represented by cabinet officers, and describe the duties of each.

7. Describe the process by which a bill becomes a law in the Federal Congress.

8. S. T. Jacobs makes a deposit of \$20 on an order for goods (to be manufactured) which he places with your house. Write a receipt for the money.

9. What is the foreign letter rate? What will it cost to send a book weighing  $2\frac{1}{2}$  lbs. and a parcel weighing  $1\frac{3}{4}$  lbs. to Denver? How may money be sent safely by mail? Give particulars.

10. You ship goods by freight and draw at sight on the purchaser; how can you keep control of the goods until your draft is paid? How can you raise money on goods which you have bought and paid for, while they are in transit or in bonded warehouse?

11. Explain what is meant by (1) vouchers, (2) accrued interest, (3) in bond, (4) collateral security, (5) blank endorsement.

12. What is meant by a *trust* as this term is used by manufacturers? How does a *trust* differ from a *syndicate*?

13. Why is it necessary to search the title to real estate? Where are the titles recorded? What are the advantages, if any, to the public, of title insurance companies?

14. How do country banks *clear* their checks?

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15. Distinguish between *statute* and *common law*. Explain the meaning of executor, chattel mortgage, lien, attachment, judgment, and trustee process.

16. How does a mortgage differ from a deed ?

17. What bookkeeping entries would you make when you pay in cash a time draft by Robson Davids, brought to you for acceptance ?

18. You have material from your store valued at \$72.23 made up into coats at an expense for labor of \$32.90. What entry ?

19. You have made three errors in your bookkeeping: 1. You have entered \$27.50 on the debit side of expense when it should have been entered on the debit side of merchandise. 2. You have forgotten to charge A with a cash payment of \$17.39. 3. You have been charged interest \$5.33 and you have entered the amount on the wrong side of the interest account. Which side of your trial balance will be the larger and how much ?

20. What great advantages have resulted to society through the introduction of machine methods of production ? What evils have arisen from this industrial development ?

21. Describe fully the national banking system.

22. Bookkeeping problem: Value of merchandise on hand, Jan. 1, \$2,372; bought during the year mdse. costing \$1,486 (cash): and bought on credit, mdse. costing \$2,432. Cash sales during the year amount to \$2,946. Credit sales same time, \$2,007. Gross expenses, \$494. Accounts against others which cannot be collected, \$304. Value of mdse. on hand, Dec. 31 following, \$3,270. Make out a financial statement showing the gain or loss.

23. Exchange on London is quoted in Paris at 25.32½ francs to the £, and the London exchange is quoted in New York at 4.89½. Find the value in American money of 5,000 francs.

24. Find the net capital (Jan. 1, 1895) having given the following items: On hand, cash, \$3,469. Consignment of mdse. from A valued at \$2,000, upon which freight of \$93 has been paid. Note made Nov. 15, 1894, at 2 months, for \$1,200 with interest at 7 per cent. We shipped mdse. valued at \$984 to B, and paid insurance, \$23, on Dec. 15, but have not yet received net proceeds. We have rent paid in advance for Jan. and Feb. at \$67 a month. We owe a note of \$1,700 made Dec. 1, at 60 days, with interest at 7 per cent.

**25.** What is meant by the *balance of trade* between America and Europe?

**26.** Draw up an agreement between yourself and Henry Bannerman with reference to some particular venture, or sale, or contract.

**27.** Write a receipt for borrowed money returnable with interest. Write a receipt in part payment of an account.

**28.** When does a bill of lading cease to be what is known as a *clean bill of lading*? Give some of the conditions which usually appear on a bill of lading.

**29.** Describe fully the different methods of sending money to distant points.

**30.** Describe fully (1) how to send a package by express C. O. D.; (2) how to send a box by freight; (3) how to get a check in your favor cashed at a bank.

**31.** What is meant by

1. foreclosing a mortgage?
2. discharging a mortgage?

**32.** You are keeping a business man's cash book. During your temporary absence, and without your knowledge, \$5 is stolen from your cash drawer. How will you find this out at the end of the day?

**33.** Describe fully the different kinds of money in use in the United States.

**34.** Borrowed \$4,000 on Jan. 1, to invest in merchandise. Gross purchases of merchandise during the year \$8,426.37, and gross sales \$7,246.39. On Dec. 31, I owe accounts (exclusive of money borrowed) amounting to \$3,734.25, and others owe me \$3,682.76. I have cash on hand, \$2,942.48, and mdse. valued at \$4,076.21. Make out a statement showing how much I gained or lost during the year.

**35.** Explain any difference in meaning between the terms: trade and traffic; currency and money; goods and wares; buyer and consumer; commerce and business.

**36.** Explain any reasons for the great variations in the rate of interests in different classes of investments. Why is money cheaper in London than in New York?

**37.** The American Express Company's traveler's *cheque* for \$20 is quoted as worth £4 1s. 2d. in England, 102.5 francs in France, and

82.5 marks in Germany. Find the value in each of these currencies of a *cheque* for \$39.18.

38. A savings bank pays  $\frac{1}{4}$  per cent. per month interest and credits the interest to all accounts on the first day of each month, interest dates from the first of each month and is not allowed for fractional parts of a month. The following is a transcript of Henry Brown's deposits and withdrawals:

*Deposits*: Jan. 13, \$94.16; Jan. 27, \$14.86; Feb. 3, \$49.03; Mar. 1, \$87.24; Mar. 20, \$96.37; April 19, \$80; July 5, \$120.47; Aug. 30, \$103.64; Sept. 3, \$7.50; Oct. 13, \$96.80; Dec. 10, \$200.

*Withdrawals*: Feb. 15, \$50; Mar. 13, \$15.67; April 21, \$100; June 4, \$17.80; Aug. 13, \$28.30; Oct. 3, \$42; Nov. 8, \$20; Dec. 24, \$100.

How much should Brown's balance be Jan. 1?

39. Describe fully the monetary system of Canada.

40. Enumerate some of the advantages of decimal money systems such as ours over the English system of pounds, shillings, and pence.

41. Are there any *interest* advantages in using instruments of credit instead of actual cash in the mechanism of exchange?

42. What would be the immediate economic effect if every man, woman, and child in the United States were given, say \$50,000? Is increase of money increase of wealth?

43. What would be the immediate economic effect if Congress should pass a law making all paper-money in circulation interest-bearing at the rate of 4 per cent?

44. "The currency and credit instruments of a country should at no time exceed in value its real and personal property." Discuss this statement.

45. What European city is recognized as a *clearing* or *adjusting* center for the telegraphic business of the world?

46. Enumerate some of the commercial advantages derived from the general use of checks and other instruments of credit. Is a credit system an advantage or a disadvantage to a community?

47. What are the advantages to the world's commerce of the great expositions held here and abroad?

48. Enumerate some of the advantages which a large business has over a small one.

49. Enumerate some of the business qualifications necessary to success.

1. as a banker.
2. as a manufacturer.
3. as president of a railway.
4. as a retail merchant.

50. What is the commercial or economic effect of the large increase in cities of large department stores?

51. In considering the wealth of a nation would you include (1) public roads? (2) its bank-notes? (3) its foreign credit?

52. Distinguish carefully between what is wealth to an individual, and what is wealth to a nation.

53. Does the payment of wages increase or diminish capital? Would you regard the groceries in your home ready for use as capital? How about the groceries on the shelves at the grocers?

54. Generally speaking does increased population increase wealth? Give illustrations.

55. Note carefully the effect on the price of a particular article of food of each of the following:

1. A very large crop.
2. A very small crop.
3. A larger number of sellers.
4. Fewer sellers.

56. Consider whether wages would be increased by—

1. A successful system of technical education.
2. A large increase in the value of land.
3. A larger number of competing manufacturers.

57. Discuss fully the advantages of Trades Unions and Labor Organizations, such as are common throughout the country.

58. What are the advantages of co-operative industries? Give illustrations.

59. A manufacturer arranges to distribute among his employees  $\frac{3}{4}$  of his profits, after taking 5 per cent. on his invested capital. Wherein does this system resemble, and wherein does it differ from, co-operation? What would be the chief advantages, and what the chief difficulties, of such a plan?

60. "The value of any commodity, of which the supply can be increased, tends towards the cost of reproducing a commodity of equal utility, and this cost depends on the quantity and quality of the labor involved in the production, and on the rate of interest, and the time during which capital is locked up in the production."

Discuss fully this general *law of value*.

61. Analyze as fully as you can the causes which determine the price of peaches at a given time in a given market.

62. Give a definition of *money*. Would you consider bank-notes or checks money? What would be the advantage or disadvantage in the use of wheat as money?

63. Explain what is usually meant by *bimetallism*.

64. To what extent do prices depend upon the productiveness of mines?

65. What is meant by the *appreciation of gold*?

66. What would be the effect upon the industries and finances of the country of discontinuing entirely the use of bank-notes?

67. What would be the immediate effect upon American industries (1) of a harvest equal to double that of an ordinary year? (2) of a great European war?

68. Consider how far credit is an efficient substitute, (1) for money; (2) for capital.

69. What do you consider to be the chief causes and effects of commercial panics? Were there any commercial advantages in the panic of 1893?

70. Why is it that this country imports very largely what it can easily produce in abundance? Give instances.

71. Enumerate some of the economic advantages of an extensive foreign trade.

72. In England the excess of imports over exports is considered a satisfactory feature of her economic condition. In India, which is a British colony, the opposite is true. Account for this.

73. How should you expect the exports and imports of two countries to be affected by the fact that one was able to impose a heavy tribute on the other?

74. How should you expect the rate of exchange between England



and America to be affected by a bad English harvest, assuming that the deficiency was largely made up by importation from America?

75. To what extent should you consider the foreign trade of a country to be a test of its prosperity.

76. What is generally understood by (1) a protective tariff? (2) a tariff for revenue only? Discuss the policy of imposing duties to establish an industry which is expected ultimately to flourish without protection.

77. From an American standpoint consider arguments for and against:

1. The government ownership of railways.
2. Congress fixing wages and hours of labor.
3. Government pensions for all kinds of workers.

78. How do cities make provision for special expenditures?

79. Name the various ways in which a Philadelphia merchant may discharge debts due in Boston, Montreal, London and Calcutta.

80. Why are notes of individuals or of corporations often held in large quantities, in preference to bank notes?

81. Explain the use of the terms *warrant*, *scrip*, *actuary*, *administrator*, *arbitrage*, *bill of stores*, *bond of indemnity*, *bounty*, *charter party*, *composition deed*, *debenture*, *dockage*, *executor*, *notary public*, *salvage*, *voucher*.

82. "The purchasing power of money in the markets of the world is governed by its commodity value." Explain the meaning of this statement.

83. What is meant by *fiat money*?

84. Where is the United States Sub-Treasury located? It is a member of what clearing house association? What advantage does it secure from this membership?

85. Give a brief outline of the National Banking Act of 1863.

## SUPPLEMENTARY NOTES.

**Prime Exchange.**

This name is given to bills issued by houses of known solvency, whose drafts are everywhere accepted, and the character of whose credit is beyond question.

**Paper Due Outside the State.**

If you hold a note due in another state, deposit it in your own bank for collection, or send it direct to a local bank in the city or town where it is payable.

**Buying Goods.**

Large houses in the great commercial centers employ buyers who are specialists—men who are thoroughly familiar with the market prices and who know the trade and all its influences through and through. The buyers for large houses are well paid, some of them receiving as high as twenty thousand dollars a year.

**Credit Department.**

This name is given to that department of a large mercantile establishment which has charge of the credits, that is, which passes upon the credit of its buyers. A well managed credit department does not rely entirely upon the reports of mercantile agencies but gathers information as to the standing of customers from all possible sources.

**Mercantile Agencies.**

The two leading commercial agencies of the United States are *Bradstreet's* and *Dun & Co.'s*. These concerns gather from every village, town, and city reports upon the financial condition of every man or firm doing business. A digest of these reports is printed in a very large book which is issued quarterly and sold to subscribers at quite a high price. Nearly all large houses doing a credit business are subscribers to one or both of these agencies. "Should information furnished by an agency, except where obtained from the injured person, be injurious to the credit of a person, and such information be proven to be false, the courts have held that he has a cause of action against the agency for the damage he has sustained through the injury thereby done to his credit. Or should credit be extended upon the strength of information given by a commercial agency, which information was clearly inaccurate, and the agent of such agency could easily have discovered it to be inaccurate, the agency can be held for the damage thereby suffered."

**Foreign Commercial Bills.**

The price is governed by the condition of the exchange market, and the length of time the bills have to run. Bills payable at sight are purchased at the market rate of exchange, and those payable on time at the market rate, minus the interest considered at the current rate in the country where the bill is payable. The interest-time is the time from the date of purchase to the date of maturity. The interest is deducted when the bill is bought. Time bills usually cost less than their face value.

**Charges for Letters of Credit.**

A commission of *one* per cent is charged upon all letters not exceeding £500. Interest is allowed when the face of the letter exceeds £1,000. When the face of the letter is not entirely drawn upon, the balance due is payable upon demand at the issuing bank or any of its correspondents.

**Value of Standard Coins.**

The Treasury Department at Washington issues quarterly a table giving the government estimate in gold of the coins of all countries. This estimate is made simply for the purpose of valuing imports.

**Declaring Dividends.**

A dividend cannot be declared until the operating expenses, fixed charges, etc., of a stock company have been met. The shareholder is regarded in law as a partner, and therefore the last person entitled to share in the distribution of its assets.

**Bondholders.**

The student must distinguish clearly between a *bondholder* and a *stockholder*. To illustrate: A buys a quarter interest in a piece of property; he is in a sense, a *share*-holder. B loans money on the property and takes a mortgage as security; the mortgage is a form of bond; he is therefore a *bond*-holder.

**Classification of Stocks.**

1. Assessable. 2. Non-assessable. 3. Preferred. 4. Common.
5. Cumulative. 6. Non-cumulative.

**Assessable Stock.**

The holder of assessable stock is liable, upon the failure of the company, to be assessed personally for an amount equal to the amount of the stock which he held

**Preferred Stock.**

This stock has a preference over other stock in the payment of dividends. The holder is one of the first to share in the net earnings. The dividend is usually stated in the stock certificate; that is to say, the holder of preferred stock carrying 6% dividend will receive his 6%, and share also in the general division of the remainder if it is likely to be in excess of the dividend which he has received as a preferred stockholder.

**Cumulative Stock.**

When the corporation agrees to pay dividends past due and unpaid before declaring new dividends the stock is said to be *cumulative*. This feature is effective only against subsequent shareholders.

**Issue of Bonds.**

Bonds can only be issued by the consent and direction of the shareholders of a company, because of the fact that their property becomes mortgaged, making them necessary parties. In the case of railroads, bonds are issued against its road, its branches, its securities, its equipment, its earnings—almost anything in the nature of a security.

**First Mortgage Bonds.**

These bonds constitute a first lien on the property, as such property exists when mortgaged. *Second mortgages* are payable only after the first mortgages have been met.

**Consolidated Mortgage Bonds.**

These are issued to take up and fund the prior bonds standing against a property. They are a first lien only upon the retirement of previous liens.

**Income Bonds.**

These are secured by a mortgage on the earnings of a corporation after the payment of prior claims. They are interest bearing and the interest is payable before any stockholder's dividend can be declared.

**Collateral Trust Bonds.**

Bonds issued upon collaterals deposited with trust companies giving the trust companies power to sell the collaterals and redeem the bonds upon the failure of the issuer to carry out the conditions of the bonds. These bonds are frequently issued upon the absorption by one corporation of smaller companies.

**Debenture Bonds.**

This name is commonly given to bonds which have real estate mortgages as collateral security. Debenture bonds frequently contain a sinking fund clause.

**Certificate of Indebtedness.**

The holder of such a certificate issued by a corporation has a claim upon the assets of the company and if the certificate is not paid within the time named he may apply to the court to have a receiver appointed.

**Receiver.**

When a property is placed under the management of a receiver, it is in the hands of the court under whose jurisdiction the receivership has been granted. "The rules which ordinarily apply to the financing of a corporation as regards its stock and bonds may, at the will of the receiver, if approved by the court, be set aside. The receiver operates the property, under the direction of the court, for the benefit of its security holders." Occasionally it is necessary for the court to recommend the issue of *receiver's certificates* for the purpose of raising money for the company. Such certificates take precedence over every other obligation of a company, and for this reason are considered good investment securities.

**Officers of Stock Companies.**

The duties or powers of officers are usually prescribed by the by-laws of the company. The *president* is usually the chairman of the board of directors. By direction of the board of directors he signs contracts, agreements, etc. He is intrusted with the general management of the company and the employment of its subordinates. The *vice-president* assists the president or acts for him in his absence. The *secretary* is responsible for the records of the company and signs documents with the president. The *treasurer* is the financial manager. The *general manager* acts for the company in its general management.

**Active Stocks.**

These have separate places assigned to them on the floor of the stock exchange, and when out of the continuous roar of voices we hear a broker call out "five hundred  $\frac{7}{8}$ ths," we learn the name of the stock from the broker's location on the floor, and know that " $\frac{7}{8}$ ths"

is the fraction of a dollar at which the stock is offered, no one considering it necessary, except in case of an unusual rise or fall in stocks, to state the whole number of dollars, as that is presumed to be known by everybody on the floor.

**Private Bankers.**

The volume of business done by private bankers is very large. The aggregate capital of the New York City national and state banks does not exceed \$140,000,000, while the capital of the private bankers of New York City exceeds \$450,000,000. The character of the business of private bankers is somewhat different from that of national banks. They lend their capital largely for the promotion of new enterprises, that is, they advance money, and receive in exchange the bonds and stocks of the enterprise promoted; these they dispose of to their customers.

**Stock on Margin.**

A great deal of stock is bought on *margins*. Some brokers require a larger margin than others, and all brokers require heavier margins on some stocks than on others; while there are stocks that brokers will not handle on margins at all. The amount of margin required is dependent both on the character of the stock and the condition of the money market. Brokers reserve to themselves the right to call for more margin if necessary. As a rule, any of the active stocks can be bought on a ten per cent. margin, with an interest charge of five per cent. on the ninety per cent. which the broker assumes.

**Warrant.**

The name *warrants* is sometimes given to the drafts drawn by its officers upon the treasury of a corporation.

**Scrip.**

A dividend payable in stock issued upon the capital of a company is sometimes called *scrip*.

**Primage.**

A percentage allowed by shippers to the owners or characters of a vessel for the loading of goods is called *primage*.

**Notary Public.**

A state officer empowered by commission to take acknowledgments, administer oaths, take depositions, and protest negotiable paper, within a certain county prescribed by law.

**Actuary.**

An expert in the application of the doctrine of annuities, especially with reference to insurance is called an *actuary*. His duties are usually to deduce from statistics, data, mortuary tables, etc., the value of contingent assets, the amount of accruing indebtedness, the proper premium charges, and to furnish statements of the company's condition.

**Bounty.**

A premium paid by the government to men engaged in certain industries, such as the bounty at one time paid to sugar growers, is called a *bounty*; when paid to steamship or railway companies it is called a *subsidy*.

**Call Loans.**

Banks lend very large sums of money on call, taking stocks and other similar properties as security. For such loans they charge a very small rate of interest. The money can be called in on very short notice and in case of failure to meet the call the securities are put upon the market and sold. Call loan money is usually money which would if not loaned in this way remain in the vaults of the bank. It may be needed by the bank at any moment and the risk of a long loan cannot be taken.

**Reserve Fund.**

The national banks in certain large cities are required by law to hold a lawful money reserve of 25 per cent. of their deposits; all other national banks 15 per cent. The 5 per cent. redemption fund is included in the reserve.

**Bank Tax.**

The national banks pay to the United States a tax of 1 per cent. annually upon the average amount of their notes in circulation,  $\frac{1}{2}$  per cent. annually upon the average amount of their deposits, and  $\frac{1}{2}$  per cent. annually upon the average amount of capital not invested in U. S. bonds.

**Bank Surplus.**

The law provides that a surplus fund shall be accumulated, by setting aside, before the usual semi-annual dividend is declared, one-tenth part of the net profits of the bank for the preceding half-year, until the surplus fund shall amount to 20 per cent. of its capital stock.

# BUSINESS

HOW  
TO DO

## Hints and Helps for Young Business Men.

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### **Business Experience.**

It is stated on good authority that ninety-seven men out of every hundred who engage in mercantile life either fail or go out of business with greatly reduced resources. The statistics of New York City give these figures. If it were possible for business men to use the experience of others the number of failures would be greatly reduced. The only experience, however, that is really worth anything *to us* is our own experience, and as a general rule our experience is valuable only in proportion to its cost—not so much its cost in money, as its cost in effort, and worry, and trial, and hardship, and work. Good advice and intelligent sense can never take the place of actual experience, but they may reduce very largely the cost of experience, and with this idea in view the hints and suggestions given under the heading of this chapter are offered for the thoughtful consideration of young business men.

### **How to Succeed as a Salesman.**

Cultivate a memory for faces and names. Remember that selling ability depends very largely upon common sense. It is not the quantity but the quality of speech which tells. The successful salesman knows how to talk, what to talk about, and more especially when to stop talking. To say the right thing at the right time is not nearly so difficult as to say nothing at the right time. The seller should only talk enough to keep the buyer talking. The faculty of holding trade, or of selling repeatedly to the same people, is the highest attribute in the qualifications of a successful salesman. Understand thoroughly



what you are trying to sell. Know your goods, believe in them yourself, and you are sure to inspire confidence in the buyer. If a salesman cannot bring himself to believe in himself, his house and his goods, he is either very badly placed, or he has mistaken his calling. A conceited, pretentious and affected manner disgusts and repels, while a person whose bearing is simple and natural attracts and makes friends. Remember that he who puts another in the attitude of being a teacher to him pays him a delicate compliment which is generally appreciated. A good salesman seldom asks a man if he wants to buy goods; he doesn't come at him that way. The man who smilingly assents to everything the salesman says does not intend to buy; he is framing an excuse for himself. The eye is the chief medium through which a man fires off whatever personal magnetism he possesses. One who really feels good-will may often infuse it into the heart of another by looking kindly and pleasantly straight into his eyes. There is an old maxim: "When you buy, keep one eye on the goods, the other on the seller; when you sell, keep both eyes on the buyer." The best salesmen of the future will not be illiterate. Education informs the mind, trains the thinking powers, and stamps the face with intelligence. Activity is not necessarily energy or industry. A Westerner says that it does not matter what kind of tracks you leave so long as you get there. This is certainly not true when applied to salesmen. There are cold, bilious, disgruntled people, who can no more be opened out by politeness than oysters. Such can only be reached through their self-interest. The well-dressed man has more self-respect, and commands more than the man in seedy attire. You will sell more goods in five minutes on a bright, busy day, when the store is full of customers, than in an hour on a rainy day, when everything is dull and the merchant gloomy. Faithfulness and trustworthiness are more valuable than intelligence, for they are very much harder to find and can't be bought. You can't frighten common sense into anybody, or bulldoze trustworthiness out of him. Your associates should be pure and good, and your personal habits correct. You must be governed by sound principles of morality and religion, without which no true success can be attained.

#### **Failures in Early Life.**

The following reference to the secret of a great preacher's success is worthy a place in any publication intended to aid young business men. The preacher is not any more called to preach than the manu-

facturer is called to make shoes, providing of course, that the shoes are made to wear rather than to sell. Sermons like shoes are too often intended for the market rather than for the individual. It came out in a memorial address to Philips Brooks that his first attempt in real, practical life was a failure. Immediately after his graduation from college, young Brooks obtained a position as usher in the Boston Latin School, but as he did not show the capacity that the principal of the school considered necessary in undermasters, his resignation was demanded. And when Brooks at once turned to preparing himself for the ministry, the school principal predicted his failure on the ground that he had never known any one to succeed in anything else who failed in school-teaching. If that schoolmaster lived twenty years longer, he was doubtless willing to admit that he had made a mistake. And yet his error of judgment was probably fully justified by the lack of power Philips Brooks had shown up to the time he left the Boston Latin School. The capacity that this schoolmaster did not recognize, notwithstanding his long acquaintance with young men, was Brooks's sincere trust in himself and his willingness to persevere and work out the destiny for which he believed nature had fitted him. If he had taken the school principal's opinion as final, and had decided that he had capacity only for ordinary things, he would have sunk into some obscure place and the world would have lost the profit of one of the richest natures that came to it in the nineteenth century.

Philips Brooks persevered, and that is the whole secret of his after success. He had fixed before him a high ideal in life, and he held to it. He refused to let the disappointment of a first essay in life change his plans a particle or influence him to withdraw his gaze from the goal he had in view. Young as he was, he felt that the world could be made better by his living in it and working out the talent with which he had been endowed. Greater than the capacity he displayed as a preacher and nobler than the broad and generous humanity that became so conspicuous in his life, was the perseverance he showed in clinging to his purpose, of refusing to be discouraged by his first disappointment and by the doleful predictions of friends.

There are very few men who have carved out their own lives who will not admit that it was perseverance in the time of failure that made them. Courage, steadiness to purpose and a refusal to surrender high ideals at such a crisis makes it the turning point in a man's life. It is said of the English that they have won in many decisive battles, when the enemy believed themselves the conquerors, simply because they re-

fused to acknowledge that they were beaten. By keeping up the fighting they convinced the enemy that it was they who were beaten and not the English, and the history of the world shows the result of this perseverance. It is the same with men. The man who "keeps up the fighting," no matter how discouraging the circumstances, is sure to win in the end. He may not gain all he hopes for, as no man accomplishes that, but he is certain to gain enough to compensate for his efforts and perseverance. It is not alone to himself that a man owes this duty to persevere. He owes it as much or more to mankind. For every man who elevates himself and works out his ideal the nation is the richer and mankind the better. The early history of almost every successful man is a history of early difficulties and failures overcome by large faith and constant effort. Now and then one gets to the top of the ladder as a result of a happy accident. But, as a rule, especially in this land of ours with its abundant opportunities for all, men achieve it by doing their best at whatever their hands find to do while yet they are unknown. The reason why so many on the lowest round of the ladder never rise much higher evidently is, that they aspire eagerly but neglect to work thoroughly. Men yearn mightily to be rulers over many things, but in the meantime place stumbling-blocks in the path of their own hopes by being unfaithful to the few things. Thousands of men and women are out of employment and yet the supply of first-class ability of whatever sort, be it to sweep a room or preach a sermon, is never equal to the demand.

#### **A Poor Man's Chances.**

It is said nowadays that poor men have not the chances that they once had. There is no doubt about the fact that the man who succeeds in the twentieth century will have larger ability and greater faith and stronger purpose than had the successful man of the nineteenth century, but it does not follow that he will require more money. The poor boy has ten chances to secure the necessary educational training to one chance offered the poor boy of fifty years ago. The opportunity always makes the man. He can measure up to the requirements if he has the purpose and ability to do so. A well-known American humorist puts the poor man's chances in a very favorable light as follows: The poor man takes all the chances. We must curtail his chances, and give the rich man a chance. The poor man has crowded the rich man out. But for the poor man, this old world would have cast anchor 6,000 years ago, and be covered with moss and lichens

to-day, like a United States man-of-war. Edgar Allan Poe was the son of a strolling player; George Peabody was a boy in a small grocery; Benjamin Franklin, the printer, was the son of a tallow chandler; John Adams was the son of a poor farmer; Gifford, the first editor of the *Quarterly Review*, was a common sailor; Ben Jonson, rare Ben Jonson, was a bricklayer; the father of Shakespeare couldn't spell and couldn't write his own name; neither can you; even his illustrious son couldn't spell it twice alike; Robert Burns was a child of poverty, the eldest son of seven children, the family of a poor bankrupt; John Milton was the son of a scrivener; Andrew Jackson was the son of a poor Irishman; Andrew Johnson was a tailor; Garfield was a boy of all work, too poor even to have a regular trade; Grant was a tanner; Lincoln a keel boatman and common farm hand; and the Prince of Wales is the son of a queen. It is his misfortune, not his fault; he couldn't help it, and he can't help it now. But you see, my dear boy, that's all there is of him; he's just the Prince of Wales, and he's only that because he can't help it. Be thankful, my son, that you weren't born a prince; be glad that you did not strike twelve the first time. If there is a patch on your knee and your elbows are glossy, there is some hope for you, but never again let me hear you say that the poor man has no chance. True, a poor lawyer, a poor doctor, a poor printer, a poor workman of any kind, has no chance; he deserves to have none, but the poor man monopolizes about all the chances there are.

#### **Stick to a Legitimate Business.**

Well directed energy and enterprise are the life of American progress, and safety lies in sticking to a legitimate business. No man—manufacturer, trader, banker—has any more right to be so energetic and enterprising as to take from his legitimate business the capital which it requires to meet an emergency. Apologies are made for firms who have failed, by recurring to the important experiments they have aided, and the unnumbered fields of enterprise where they have freely scattered their money. We are told that individual losses sustained by those failures are as nothing compared with the benefits conferred on the community by their liberality in contributing to every public work. There is little force in such reasoning. A man's relation to a creditor is different from his relation to the public. The demands of the one are definite; the claims of the other are just what the ambition of the man may make them. The histories of successful men unite in exalting the

importance of sticking to a legitimate business. Failures are too often the result of branching out into fields outside of one's experience. The more a business man spreads himself the thinner the spread.

#### **A Millionaire's Pointers.**

Nothing is so hard as to make a fortune dishonestly. Things slowly attained are long retained. Buy nothing unnecessary, no matter how cheap. Don't overwork to gain \$200 and then spend \$500 in regaining your health. Do your best every time, even in small matters. Incur no responsibility which you cannot meet without distress. When you open one hand to secure a new customer, be sure not to allow an old customer to escape from the other hand. The easiest way in all the world to get a dollar is to earn it. When you seek to obtain credit in excess of the amount of your capital, you have crossed the prudent line which divides business from speculation. Mr. Depew is reported to have said that he wouldn't stay awake an hour any night to make a hundred dollars but he would stay awake an hour every night for a week rather than lose a hundred dollars. Men fail because they lose money not because they are unable to make it. Any man of ordinary ability can make money.

#### **Business Location.**

In retail trade the location is a very important matter. Trade centers around centers. People do not like to go out of their way to buy things. An inferior or small store in a good location is preferable in every way to a fine large store poorly located. Just a little around the corner is not so good as on the corner. Two or three steps up is not so good as on a level with the sidewalk. A rent of \$400 a month on the main street may look high compared with \$40 a month three or four doors from the main street, but the rent is only ten times as great and there may be twenty-five shoppers on the main street for every one that passes up the side street. A Boston dealer made money enough in a little three angled room scarcely big enough for three customers at once but located on a famous corner, to build one of the largest and finest business blocks for which that city is noted. His rent was \$1500 a month and his three-cornered store of one-hundred years' standing wasn't worth, apart from the lot, as much as a good suit of clothes. Larger sales, even though profits are smaller, afford opportunities for closer buying and nowadays when the fixed prices of manufacturers and jobbers are blown to the four winds, the buyer gets the best bar-

gain who can buy the largest quantity upon the shortest time. In fact, in these days of active competition when profits seem reduced in so many directions, the buying of the goods is equally important with the selling. The merchant who cannot buy to advantage might as well step aside and let the large dealer have the trade. The old maxim, "goods well bought are half sold" is truer to-day than ever before. In opening up a new business wait, if necessary, until an excellent location can be secured. This is one-half the secret of many an abundant success.

#### **Method and System.**

The young man who lacks *order* will nineteen times out of twenty fail of success. The merchant ought to cultivate systematic habits in all his affairs. If it is known among his clerks and employees that the same hour every morning will find him in his store or counting-room, this very fact will infuse punctuality throughout the house. The work should be systematically distributed among the clerks and each article of goods should have its special place, convenient of access and ready to handle. If there are crowds of customers there is not likely to be much dust on the goods but the clerk whose time is not full and who allows the dust to accumulate should be *bounced*. Every moment of his time should be used either in selling or in re-arranging goods, in scattering dust, or in soliciting trade. The young man who has an opportunity to work and who doesn't work doesn't deserve success. The *change* system should be so complete that customers will not be kept waiting. The clerks should be so thoroughly familiar with their stock that all reasonable questions can be answered promptly. In our largest and most prosperous business houses the work is divided and subdivided into departments; a man is placed in charge of each special line of goods; he is under instructions to see that his stock is in every sense up-to-date; he must keep to the front such articles as are likely to attract custom; remnants and *dead stock* instead of being put out of reach on a top shelf are carefully sorted, specially *bargain* marked, and so displayed as to be easily worked off. Nearly every mercantile failure finds about half the stock so old and shop-worn and dusty and dead as to be almost unsalable even under the hammer. Exercise *system* in buying. The successful merchant lets novelties alone and deals in goods which he knows he can sell. By not scattering his resources, he can buy greater quantities and at better figures. And above all things **have order and system** in the counting-room, in the keeping of books,

in the filing of papers, in the payment of bills, in the collection of accounts—in everything in any way related to the finances of the business.

### **The Talent of Success.**

Longfellow once said that the talent of success is nothing more than doing what you can do well, without a thought of fame. Man was made for action and life is simply a field for brain and heart exercise. We owe a large part of our happiness to our mistakes, and yet it is true that happiness is never found in failure. Don't mistake aspiration for inspiration. Ambition without genius is sure to end in failure. A man may be a very successful lawyer, though he might fail if appointed chief justice; a man may be a very successful teacher but entirely unfit for the position of college president. It is a mistake to say that a man can be whatever he *wills* to be. The strongest and most constant will in the world is not an entire substitute for brains. All callings are alike honorable if pursued with an honorable spirit. A blacksmith may be a man of polished manners while a bank president may be a clown. It isn't enough to say that *if* a young man will only do thus and so he may reach success. The power of patient labor is the very essence of genius. What a man does is the real test of what he is, and to intimate that a certain person would accomplish great things if he had more activity of mind is to say that he would be stronger if he had more strength. All experience shows that it is the nature of genius to labor patiently, and hence it is easy to leap to the conclusion that genius is but patient labor. Don't run away with the idea that *will* can do the work of *intellect*, or that *effort* can take the place of *genius*, or that mere intensity of desire can give intensity of power. Great deeds are done by great men and often without effort. Neither do great occasions make great men. They bring great men to the front, before the public eye, use them, but do not make them. It is more often that great men make great occasions. No man is ever a great man who wants to be one. Shakespeare wrote for money, not fame. Homer sang to kindle patriotism in the hearts of his countrymen. Grant, apart from his work, was the most ordinary man in a thousand. However, no man knows what are his powers, whether he is capable of great things or small, until he has tested himself by actual trial. The more limited your powers the greater need of effort. The Spartan youth who complained to his mother that his sword was too short, was told to add a step to it. To a large extent, as William

Penn declares, "industry supplies the want of parts; patience and diligence, like faith, remove mountains." "There lives not a man on earth, out of a lunatic asylum," says Sir Edward Bulwer Lytton, and the words should ring in every young man's ears, "who has not in him the power to do good. What can writers, haranguers, or speculators do more than that? Have you ever entered a cottage, ever traveled in a coach, ever talked with a peasant in the field, or loitered with a mechanic at the loom, and not found that each of those men had a talent you had not, knew some things you knew not? The most useless creature that ever yawned at a club, or counted the vermin on his rags, under the suns of Calabria, has no excuse for want of intellect. What men want is, not talent, it is purpose; in other words, not the power to achieve, but the will to labor." Very ordinary ability properly made use of must bring a certain measure of success. There are few really great men while there are thousands of really great things to be done. Men are pushed forward by events over which they have no control. They never know their own power until it is measured up against enormous obstacles. Success depends more upon ability adapted to work than upon any superior intellectual power. The man whose ability best fits him for a profession might be a failure in business no matter how great his genius. A moderate talent well applied will achieve more useful results, and impose more on mankind, than minds of the highest order, whose temper is too fine for mechanical or industrial pursuits. Besides, there is a discretion more valuable than the most extensive knowledge. Men must have tact and good judgment and clear and quick perception. Men of genuine ability are rarely idle. To allow them to remain so is to allow capital which might pay large profits to remain uninvested. Hold your ground and push hard. Watch opportunities. Be rigidly honest. The young men who spend their evenings smoking cigarettes and telling shady stories, with the street corner for their location and packing boxes for chairs, need not spend any time learning "how to write a check" for the chances are a thousand to one that they will never have a bank account.

#### **Favoring Circumstances in Life.**

We meet people daily who are so profoundly dull that they seem to be experts in this particular qualification. Dr. Johnson described one of these persons by saying, "Why, sir, he is dull, naturally dull; but it must have taken him a great deal of pains to become what we now see him. Such an excess of stupidity is not in nature." There



is no such thing as luck in the ordinary sense, but as Shakespeare has it, "There is a divinity that shapes our ends, rough-hew them how we will." There is no doubt about the matter that many able men were "born to blush unseen, and waste their sweetness on the desert air." There are environments and circumstances which make for success and if we fail to get into the tide, we are sure of failure. True, some men seem to make money at every turn and without apparent effort while others with the most careful planning and closest economy, fail to make money. The sum of the matter is that success depends upon opportunity as well as upon ability. Men pass by the footpaths which lead to larger roads leading to great commercial routes simply because the paths run up hill, and seem rough, and their direction is unknown. The tree that grows soft and spongy in a swamp grows hard and noble on the hillside. "All things work together for good," but not always for gain, "to those who love God." While circumstances may make or mar a man, it is more often true that man is privileged to make his own circumstances. The race is not always to the swift or the battle to the strong. Opportunity is coy. The careless, the slow, the unobservant, the lazy, fail to see it, or clutch at it when it is gone. It isn't enough, however, to strike the iron when it is hot, we must strike it till we make it hot. It is an interesting fact that Wellington, who never lost a battle, never spoke of luck, though no man guarded more carefully against all possible accidents, or was prompter to turn to account the ill-fortune of an adversary. Napoleon, on the other hand believed in his star. What some would call bad luck are the very discouraging incidents of his life which the successful man uses for his own advancement. The rungs of the ladder of success are made of failures which the climber puts his foot on to reach higher.

#### **Use Every Minute of Time.**

Gladstone is reported to have said "that thrift of time will repay you in after-life with a usury of profits beyond your most sanguine dreams, and that the waste of it will make you dwindle, alike in intellectual and in moral stature, beyond your darkest reckonings." The young business man's most important lesson is along the line of time economy. Habits of indolence, listlessness, and procrastination, once firmly fixed, cannot be suddenly thrown off, and the man who has "wasted the precious hours of life's seed-time finds he cannot reap a harvest in life's autumn." Go hunt out the men in any community who have done the most for their own and the general good, and you

will find that they are almost uniformly the overworked class, the almost-driven-to-death men who seem piled all over with work. It is these men who are most active in public affairs, in church affairs, and in all matters concerning the public good. Men of this class, however crowded with business, are always found capable of doing a little more, and you can rely upon them in their busiest season with ten times more assurance than upon the idle man. Give a busy man five minutes to write a letter and he will dash it off at once; give an idle man a day, and he will postpone it till to-morrow or next week. There is a momentum in the active man which of itself almost carries him to the mark, just as a very light stroke will keep a hoop agoing, when a smart one was required to set it in motion. The men who do the greatest things in this world have the genius for hard work, the most desirable kind of genius. Most persons, to achieve anything, need to be always busy; and for them it is better never to have any idle moments, but always to have some work on the anvil to which they can turn their hand.

#### **Use Money Carefully.**

Don't waste your breath talking about money being a great evil. Men will make any kind of sacrifice for money. Whatever may be said about the dangers of riches, ten times as much may be said about the dangers of poverty. The poor man is hourly beset by temptations which the rich man knows nothing of. Poverty is a condition which no man should accept except it is forced upon him. It is the want of money which makes men workers. It is this scantiness of means, this continual deficiency, this constant hitch, this perpetual struggle to keep the head above water and the wolf from the door, that keeps society from falling to pieces. Money is desired not merely for the comforts it affords but for the influence which it brings. It is said that in England no man can afford to have an opinion who has not an income of two thousand a year. An anecdote was told some years ago of two men who were conversing about John Jacob Astor's wealth. The one asked the other if he would be willing to take care of the fifteen millions merely for his board and clothing? "No!" was the indignant answer, "do you take me for a fool?" "Well," said the other, "that's all Astor gets for the job." Let every one who would get on in the world estimate fairly the value of money. Let him use it that he may personally be a blessing to others. To work hard, to improve every moment, to economize, to avoid debt—these are the only sure steps to

a comfortable old age. What clerk that spends twenty cents a day for a couple of cigars, dreams that by this expenditure, with the accumulated interest, he will in fifty years have smoked away \$20,000? Yet a man who by a life of industry had laid by such a sum would, in most country towns, be deemed rich. No amount of means or earnings can justify waste by a nation or by an individual. The Great Teacher, when displaying His infinite power to the multitude, taught the needful lesson of economy by asking that the fragments of loaves and fishes be gathered that nothing be lost.

#### **A Cheerful Daily Life.**

A man's daily life is the best test of his moral and social state. Take two men, for instance, both working at the same trade and earning the same money; yet how different they may be as respects their actual condition! The one looks a free man; the other a slave. The one lives in a snug cottage; the other in a mud hovel. The one has always a decent coat to his back; the other is in rags. The children of the one are clean; well-dressed, and at school; the children of the other are dirty, filthy, and often in the gutter. The one possesses the ordinary comforts of life, as well as many of its pleasures and conveniences—perhaps a well-chosen library; the other has few of the comforts of life, certainly no pleasures, enjoyments, nor books. And yet these two men earn the same wages. What is the cause of the difference between them? It is in this: The one man is intelligent and prudent; the other is the reverse. The one denies himself for the benefit of his wife, his family, and his home; the other denies himself nothing, but lives under the tyranny of evil habits. The one is a sober man, and takes pleasure in making his home attractive and his family comfortable; the other cares nothing for his home and family, but spends the greater part of his earnings in the gin-shop or the public-house. The one man looks up; the other looks down. The standard of enjoyment of the one is high, and of the other low. The one man likes books, which instruct and elevate his mind; the other likes drink, which tends to lower and brutalize him. The one saves his money; the other wastes it. How is it that of two men working in the same field or in the same shop, one is merry as a lark; always cheerful, well-clad, and as clean as his work will allow him to be; comes out on Sunday mornings in his best suit to go to church with his family; is never without a penny in his purse, and has something besides in the savings bank; is a reader of books and a subscriber to a newspaper, besides taking in

some literary journal for family reading; while the other man, with equal or even superior weekly wages, comes to work in the mornings sour and sad; is always full of grumbling; is badly clad and badly shod; is never seen out of his house on Sundays till about midday, when he appears in his shirt-sleeves, his face unwashed, his hair unkempt, his eyes bleared and bloodshot; his children left to run about the gutters, with no one, apparently, to care for them; is always at his last coin, except on Saturday night, and then he has a long score of borrowings to repay; belongs to no club, has nothing saved, but lives literally from hand to mouth; reads none, thinks none, but only toils, eats, drinks, and sleeps—why is it that there is so remarkable a difference between these two men? Simply for this reason. That the one has the intelligence and the art to extract joy and happiness from life; to be happy himself, and to make those about him happy; whereas the other has not cultivated his intelligence, and knows nothing whatever of the art of either making himself or his family happy. With the one, life is a scene of loving, helping, and sympathizing; of carefulness, forethought, and calculation; of reflection, action and duty: with the other, it is only a rough scramble for meat and drink; duty is not thought of, reflection is banished, prudent forethought is never for a moment entertained.

#### **Character.**

Character tells in all conditions of life. It is the crown and glory of life. It is man's noblest possession, constituting a rank in itself, and an estate in the general good-will; dignifying every station, and exalting every position in society. It exercises a greater power than wealth, and secures all the honor without the jealousies of fame. It carries with it an influence which always tells; for it is the result of proved honor, rectitude, and consistency,—qualities which, perhaps more than any other, command the general confidence and respect of mankind.

Character is human nature in its best form. It is moral order embodied in the individual. Men of character are not only the conscience of society, but in every well-governed State they are its best motive power; for it is moral qualities in the main which rule the world. Even in war, Napoleon said the moral is to the physical as ten to one. The strength, the industry, and the civilization of nations,—all depend upon individual character; and the very foundations of civil security rest upon it. Laws and institutions are but its outgrowth. In the just balance of nature, individuals, nations, and races, will obtain

Just so much as they deserve, and no more. And as effect finds its cause, so surely does quality of character amongst a people produce its befitting results. Though a man have comparatively little culture, slender abilities, and but small wealth, yet, if his character be of sterling worth, he will always command an influence, whether it be in the workshop, the counting-house, the mart, or the senate. Energy of character has always a power to evoke energy in others. It acts through sympathy, one of the most influential of human agencies. The zealous, energetic man unconsciously carries others along with him. His example is contagious, and compels imitation. He exercises a sort of electric power, which sends a thrill through every fibre, flows into the nature of those about him, and makes them give out sparks of fire. The same qualities which determine the character of individuals also determine the character of nations. Unless they are high-minded, truthful, honest, virtuous, and courageous, they will be held in light esteem by other nations, and be without weight in the world. Character is one of the greatest motive powers in the world. In its noblest embodiments, it exemplifies human nature in its highest forms, for it exhibits man at his best. Although genius always commands admiration, character most secures respect. The former is more the product of brain-power, the latter of heart-power; and in the long run it is the heart that rules in life. Men of genius stand to society in the relation of its intellect, as men of character of its conscience; and while the former are admired, the latter are followed. A life exclusively occupied in affairs of business insensibly tends to narrow and harden the character. It is mainly occupied with self—watching for advantages and guarding against sharp practice on the part of others. Thus the character unconsciously tends to grow suspicious and ungenerous. Character is property. It is the noblest of possessions. It is an estate in the general good-will and respect of men; and they who invest in it—though they may not become rich in this world's goods—will find their reward in esteem and reputation fairly and honorably won. And it is right that in life good qualities should tell—that industry, virtue, and goodness should rank the highest—and that the really best men should be foremost. The best sort of character can not be formed without effort. There needs the exercise of constant self-watchfulness, self-discipline, and self-control. There may be much faltering, stumbling, and temporary defeat; difficulties and temptations manifold to be battled with and overcome; but if the spirit be strong and the heart be upright, no one need despair of ultimate success. The very effort

to advance—to arrive at a higher standard of character than we have reached—is inspiring and invigorating; and even though we may fall short of it, we can not fail to be improved by every honest effort made in an upward direction. Without principles, a man is like a ship without rudder or compass, left to drift hither and thither with every wind that blows. He is as one without law, or rule, or order, or government. Integrity of word and deed ought to be the very corner-stone of all business transactions. To the tradesman, the merchant, the manufacturer, it should be what honor is to the soldier, and charity to the Christian. In the humblest calling there will always be found scope for the exercise of this uprightness of character. Hugh Miller speaks of the mason with whom he served his apprenticeship, as one who “*put his conscience into every stone he laid.*” Narrow-mindedness in living and in dealing is generally short-sighted, and leads to failure. The penny soul, it is said, never came to twopence. Generosity and liberality, like honesty, prove the best policy after all.

#### **A Strong Will.**

Egotism, skepticism, and selfishness are always miserable companions in life, and they are especially unnatural in youth. The egotist is next door to a fanatic. Constantly occupied with self, he has no thought to spare for others. He refers to himself in all things, thinks of himself, and studies himself, until his own little self becomes his own little god. A man may be feeble in organization, but, blessed with a happy temperament, his soul may be great, active, noble, and sovereign. Professor Tyndall has given us a fine picture of the character of Faraday, and of his self-denying labors in the cause of science,—exhibiting him as a man of strong, original, and even fiery nature, and yet of extreme tenderness and sensibility. “Underneath his sweetness and gentleness,” he says, “was the heat of a volcano. He was a man of excitable and fiery nature; but, through high self-discipline, he had converted the fire into a central glow and motive-power of life, instead of permitting it to waste itself in useless passion.” A strong temper is not necessarily a bad temper. But the stronger the temper, the greater is the need of self-discipline and self-control. Doctor Johnson says men grow better as they grow older, and improve with experience; but this depends upon the width and depth and generosity of their nature. It is not men’s faults that ruin them so much as the manner in which they conduct themselves after the faults have been committed. The wise will profit by the suffering they cause, and eschew them for

the future ; but there are those on whom experience exerts no ripening influence, and who only grow narrower and bitterer, and more vicious with time. What is called strong temper in a young man, often indicates a large amount of unripe energy, which will expend itself in useful work if the road be fairly opened to it. There are, of course, times and occasions when the expression of indignation is not only justifiable but necessary. We are bound to be indignant at falsehood, selfishness and cruelty. A man of true feeling fires up naturally at baseness or meanness of any sort, even in cases where he may be under no obligation to speak out. Strong temper may only mean a strong and excitable will. Uncontrolled, it displays itself in fitful outbreaks of passion ; but controlled and held in subjection—like steam pent up within the organized mechanism of a steam-engine, the use of which is regulated and controlled by slide-valves and governors and levers—it may become a source of energetic power and usefulness. Hence some of the greatest characters in history have been of strong temper, but of equally strong determination to hold their motive-power under strict regulation and control.

# How to Earn and Get — A Good SITUATION

## **Be Good for Something.**

No use applying for a situation if you cannot do anything. Encourage and develop some one talent for the use of which the world offers a money value. The man who can do almost anything fairly well isn't drawing half the salary of the man who can do one thing better than other people.

## **Never be Idle.**

If you are out of work and can't find any, go and help some poor fellow who has more than he can carry. Don't consider that you are doing him a great favor either. He is really doing you the favor. For every one man who can't find work, there are five who have more than they can do. If you read your bible, you will find that the men whom God called to higher work were not standing around with their hands in their pockets waiting for a job.

## **Never Despair.**

You can do almost anything you make up your mind to do, and resolve upon doing, willingly and earnestly. Do not be afraid of pounding persistently at one thing, even if people do call you a crank.

## **Get at Something.**

If nothing turns up, turn something up. The man who is at work has ten chances to get a better place for one chance the man who is out of work has to get anything to do. If the place isn't good enough or the pay not big enough, fill the place chuck full, so that you will bulge over a little where people can see you, and earn every cent of the pay. The people who are most tired in this world are working for themselves and not for the good of others.

## **Market Overstocked.**

The market is always overstocked with middling work of all sorts, while first-class work in every department of human effort is always so scarce as to command high prices. Every employer knows that when he has need of a man capable of really first-class work, he must search diligently for him, and pay him a high price when he is found.



**Life's Failures.**

A large percentage of life's failures are due to people's persistent attempts to do things for which they are not fitted. A blunder of this kind at the outset is almost sure to embarrass one through life. The trouble comes mostly from a mistaken notion of respectability. One kind of labor is as respectable as another if it is honest labor and the world demands it. However, there is a genuine dignity and honor in the pursuit of callings requiring intellectual strength and culture or technical knowledge and skill.

**The Choice of a Career.**

There are times in a young man's life when he is beset as to what he shall do for a livelihood, and the question as to a choice of what the world offers is a very important one. The first thing to notice is that educated labor is nearly always in demand. The men who are doing the longest day's work for the smallest daily wages, who are in a sense the slaves of their employers, are the uneducated. The essential thing is to have an object in life, an ideal within you that will raise the character and excellence of your work. About the most unfortunate man in all the world, next to the man who has nothing to do, is the man who is working simply for wages or salary and not for the love of the work. Successful men are successful in spite of difficulties. They owe their success largely to the fact that they had the snap and persistence and ambition to succeed. They learned to climb mountains by climbing them. Be thorough. Know the top and bottom, inside and outside, cause, cost, and effect, and both ends of everything you are required to do or handle. Watch out always for larger and better opportunities. Good opportunities exist around us all the time, which, if promptly seized upon, lead to fortune and reputation. In no country in the world are the possibilities of a successful career more numerous than in the United States. If you will study the career of any great man you will find that it was the opportunity that made him. Inspiration and suggestion frequently come from sources that are less thought of. Grant might have remained a tanner in Galena if his opportunity had not come in the civil war. Sometimes a man makes or forces the opportunity, but usually the opportunity forces and makes the man. Be careful to choose what you have a *bent* for but when you are fully started, let "this one thing I do" be your business motto. "Keep everlastingly at it." Remember what Macaulay said: "The world generally gives its admiration, not to the man who does what nobody else ever attempts to do, but to the man who does best what multitudes do well."

**Better Chances.**

There is a prevalent belief among young men that there are more and better chances for advancement in the professions and in commerce than in mechanical pursuits. Young people ponder the stories of men who, beginning as office boys, have become chief clerks, junior partners, and ultimately seniors in great houses, until these come to represent, in their eyes, the ordinary and probable course of affairs. They forget that success of this kind can come to but one man in two or three thousands, and that when it does come it is the result of something more than mere chance. To a young man with capital in reserve, or with its equivalent in influence, or, better still, with extraordinary capacity, a clerkship may offer a reasonable prospect of ultimate advancement, but without one or another of these conditions, the chances are more than a thousand to one that he will never succeed in making more than a bare support for himself, while the overcrowded condition of the ranks in which he stands makes his position a precarious one always. The mechanic, on the other hand, brings a definite skill to bear upon the problem of money making. Only those who are similarly skilled can compete with him for employment. His skill is a positive capital, and his work is always productive.

**Easy Money Getting.**

The era of easy money getting is rapidly passing away. In trained ability is there only any real safety from want. No man who is without a thorough knowledge of some business is ever safe. The work of developing our country's resources is only fairly begun, but it is so well begun that only skilled labor is wanted in its further accomplishment. The indifference with which young men habitually allow themselves to drift listlessly into avocations for which they are by nature unfit; the confidence with which they trust chance to do for them that which they should do for themselves; and the blind recklessness with which they neglect to acquire a skill that may serve them in their life struggle, is very much to be regretted. Don't, however, wait until you get something to fit you. Better get at something that doesn't fit, than to be idle.

**Christian Conditions.**

There are christian conditions of success which all should consider. The merchant who is honest that he may make money is not dishonest and may fail. He only is christian who counts honesty of more worth than money or fame. No matter what your calling, be truly true

and faithfully faithful, and if you fail in the "hundred-fold now, in this time," it will be abundantly made good in the "life everlasting."

**Give Good Measure.**

The bible measure is "pressed down, shaken together, and running over." This doesn't mean seventeen ounces for a pound or thirty-seven inches to a yard, but rather good measure of yourself—to your work, to your employer, to others—and good measure will be returned in due time.

**Don't Quit**

A good position until you are sure of a better one. Remember that the very best positions are secured through promotions and not by answering advertisements. The boys who are always looking for nice, easy positions at fat salaries, never get them.

**Don't Try Everything.**

The applicant who answers all advertisements, and claims ability to fill each position, will stand a poor chance to get an appointment. If you are satisfied that you can fill the requirements, put forth your best facts to prove it.

**Don't Tell Your History.**

It will not be necessary to say how well bred or how well educated you are. Show this by the moderation of your statements, the conciseness of your facts, by correct spelling and good grammar, by a neat and respectable letter. Write such a letter as will obtain for you an interview, and your manners can then be made manifest.

**Use Good Stationery—**

Not that of your present employer. The longer you have been with one house the more valuable you will appear to a new one. Don't enclose postage stamps for reply. It is a useless expense. If your letter is the one chosen, the advertiser will spend two cents to see you. Use the ordinary-shaped business envelope. All fancy stationery goes into the waste-basket without being opened.

**Be Frank and Sincere.**

Don't waste your time and the advertiser's by applying for a position which you are unable to fill. An office boy cannot expect to get a job as business manager of a large corporation, and a young man of twenty-five, no matter how smart he may be, will not be chosen as a bank president.







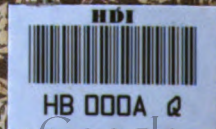


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